Finding the Best Business School for You: Looking Past the Rankings

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PRAEGER

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PREFACE

Although business schools are among higher education's most popular and most successful enterprises, they are experiencing enormous upheaval and change even as the MBA boom continues with fluctuations that follow the economy. Anyone who doubts the viability of the signature MBA program, invented in America and exported to the rest of the world, need only look at the demographic realities. In the past decade the number of MBAs conferred by business schools in the United States climbed 43 percent while those receiving degrees in law and medicine increased only 2 percent. With some ups and downs—MBA admissions go up in bad times, down in good times—this is a success story to be sure. Still, B-schools, as they are known, are truly in play as they undergo sweeping changes in the midst of a transforming economy in which new rules are being written and change is the only constant.

Truly business is changing radically, a fact driven by globalization, the spread of information technology, and the deregulation of many industries. The lifetime career with a single firm is a thing of history. Today's managers must take charge of their own careers and the lifelong renewal and reinvention of their skill sets as they anticipate and seize on emerging opportunities. In the midst of such a transformation, it may seem obvious that MBA programs, however successful today, need to reinvent themselves to anticipate what will be happening in business, guided by both history and forecasts of new developments affecting people and society.

The prospective MBA student who desires a career in business or another field that values business education is beset with complex and confounding questions. With both business and business education fraught with uncertainty, who can be sure about the MBA degree—its value currently and long term? There are, of course, seemingly endless MBA choices across hundreds of schools in the United States and a growing number abroad. And although there are numerous guidebooks to the MBA market and lists of best schools based on popular magazine rankings, this avalanche of information is not always helpful. Much of it is self-serving, drawing on the promotional efforts of particular schools or the advertising imperatives of media firms. And the perplexing question is always there: Is the MBA worthwhile—is it really a passport to business—or is one better off devoting the time and money required by an MBA program to work in a particular industry in which one becomes a specialist by virtue of experience? If the prospective student determines that the MBA does make sense, then comes the question: Which program is best for me? We'll address this as we pursue our own search for the "best" business school.

As *The Chronicle of Higher Education* put it: "Business schools are redesigning their curriculums, forging closer ties with businesses and giving students more freedom to customize their degrees."[1] Those changes can't come fast enough for the agency that accredits America's business schools—the Association to Advance Collegiate Schools of Business International (AACSB). A report titled *Management Education at Risk* worries that business schools may be out of date, warning that neither textbooks nor professors have kept up with the rapid changes in business. The churn in traditional schools of business, which are associated with the nation's recognized colleges and universities, is a clear signal for potential MBA students to pay careful attention to the program they pick in which they will invest considerable sums—from a low of tens of thousands of dollars to a high well over $100,000 plus any earnings lost while they are pursuing their degree. At the same time, the once predictable MBA program in which students marched lockstep as a "cohort," all taking the same classes in the same order, is also changing dramatically. More flexible programs, a move toward specialization, and closer links to industry are some of the reported changes. At the same time that traditional schools are remaking themselves, private for-profit schools and corporate nondegreed training programs are springing up along with a wave of distance learning, online programs, all claiming to offer educational quality. Each of these serves different markets with different advantages and disadvantages.

What was once an easy choice for most prospective MBA students is now a more complex decision. Add to that the quality dimension. Instead of a simple "pedigree shopping" exercise in which students seek out the most prestigious university program that will accept them, choices today are far broader. Determining what school is most suitable is more complicated, more nuanced. The fact remains that the standard list of top-twenty to fifty schools is graded by different methods and by different stakeholders with different interests. The B-school rankings draw on B-school administrators and faculty, recent graduates, recruiters, employers, and others, few of whom know the whole universe of schools and thus who always offer a skewed view. The rankings are badly flawed, but because they are the *lingua franca* of business and education, they are not without meaning, though they need to be understood quite carefully. Yet there is a problem far greater than identifying the best schools determined by the best-known rankings. Even if one is determined to go to a top-ten, -twenty, or -thirty school, just over 2 percent of all who seek entry can expect to be admitted. In a field in which there are hundreds of schools, many of them outstanding, this is unfortunate and often fosters invalid or unjustified disappointment and disillusionment.

With leading magazines and newspapers, from *BusinessWeek* to the *Wall Street Journal*, *The Economist*, and *U.S. News & World Report*, all trumpeting their own lists of top schools with great intensity, scores of other worthy institutions are overlooked. Although these rankings are well-intended and sometimes useful consumer information, they have oversimplified a complex decision. Thus this book. We believe a profound need exists for a thoughtful navigator that takes a broader view of the best business schools by acquainting possible MBAs with the current state of the field and likely developments along the way. There are, of course, many measures of the worth and value of an MBA program, none of them truly scientific, because this deeply human decision cannot be easily codified and scored. One measure of the value of an MBA program is ROI—return on investment, usually stated in purely financial terms, though there is much disagreement on this determination. Naturally, we address the ROI question because it is a central concern for MBA graduates and those seeking admission to programs. At the same time we extrapolate from another financial formulation—that of modern portfolio theory used by investment managers to allocate the assets of their clients for the best possible return. Taking this idea another step further, *Finding the Best Business School for You* advocates a portfolio approach to MBA education wherein the prospective graduates design their own programs within the rules of the school they choose to maximize their prospects as agile and flexible business managers and leaders. This requires a new way of thinking for many who enter MBA programs in which they put themselves in charge of their own destiny, rather than assuming that the school they enter should exclusively map their educational future. We discuss this in greater detail later.

In this book we consider the appeal of the MBA and ask whether that attraction is truly warranted today and will continue to be so in the future. Moving from a societal scan, we ask whether an MBA connects with one's personal aspirations and expectations. In the process we look back over the development of business education and the MBA, which has moved from a simple best practices model to one that demands broader strategic thinking. That brings us the career-resilient learner, an important new concept that will be essential to the future of business. All this is grounded in a concern about quality control—that governed by accrediting rules and that assumed by the B-school rankings. Indeed those controversial grades are addressed in two chapters that urge prospective MBAs to use them as one of several sources of information. A detailed discussion of ROI follows and is paired with a chapter on other sources of success and satisfaction. The aforementioned portfolio approach is fully explicated and examined with a critical eye. That is followed by concern for personal factors that ultimately determine what MBA program is best for any given student. We understand this in the context of globalization and its impact on business and business education, the subject of yet another chapter. We ask how to find the best business school and finally address what we call *the New MBA*. Although we the authors of this book are advocates for the MBA, we are well aware of the torrent of criticism that MBA programs face today—and why change must come if MBA graduates are to add value to the business world that is emerging. In preparing this book, we are grateful to several persons for their generous assistance, including Roxanne Bonilla, Veronica Dagher, Frank Fletcher, Lawrence Greenberg, Fran Macli, Charles Menges, Jr., Guia Santos, and Maureen Tierney. Both of us are grateful to Fordham University for its support, to Dr. Smith for a sabbatical leave, and to Cornell University's New York State School of Industrial and Labor Relations for a fellowship.

—Everette E. Dennis and Sharon P. Smith
New York City, December 2005

CHAPTER 1

THE APPEAL OF THE MBA—WARRANTED OR NOT?

Young professionals cue up on weekends in otherwise unused university classrooms to take a rigorous examination that measures their verbal, mathematical, and analytical writing skills. And while this exercise will determine in large part whether they will be accepted by the MBA program of their choice, the exam does not assess their knowledge of business, on-the-job competencies, or even whether they have advanced knowledge in any field, whether related to business or not. Just why tens of thousands of people put themselves through this ordeal offers a clue about the attraction of the MBA. In this chapter, we consider what the MBA is all about, the buzz about its importance and appeal, and whether all this is, in fact, warranted.

Over the last fifty years, the master of business administration—the MBA—degree has become the ticket of entry into upper management. Providing that ticket to a growing population of students has also been the success story of higher education. The number of master's degrees in business awarded by U.S. universities has grown from about 3,000 in the late 1950s to nearly 130,000 today.[1] MBAs now account for 25 percent of all master's degrees awarded in the United States. The number of degrees awarded has grown 65 percent since 1990–1991, while the number of degrees awarded in professions such as law and medicine has remained nearly flat. The success of American business schools did not go unnoticed abroad. As European and Asian markets and businesses accelerated in the 1970s and 1980s, students from those countries and others flocked to the United States to pursue MBA degrees, which have quickly gained status in their own countries just as they have here. Clearly, U.S. business schools have been a major attraction for international students. Indeed, Leonard Sayles and Cynthia Smith have observed that

> For decades, America's business acumen and effectiveness has been applauded and copied . . . both American management and management

> training were considered "best in class." In fact, the American MBA has been transplanted around the world.[2]

It did not take long for this "transplanting" to take place, as resourceful business leaders and educators in other countries have developed their own excellent business schools, usually drawing on the American model with some local adaptations. This fact, along with the sharp reduction in visas granted to international students, especially after the apprehension triggered by 9/11 and the war on terror, has caused many of these students to choose to study business outside the United States, though international students without permanent visas still comprise nearly 15 percent of MBA enrollment.[3]

THE CHANGING FORM OF BUSINESS EDUCATION

The MBA degree itself has transformed itself during this period in response to changes in the business world and to criticisms of the rigor and cohesion of the MBA programs themselves. The beginning of the twenty-first century marks another period of major change in business and business education. The changes that are occurring in both are neither independent nor mutually exclusive developments and responsive and calibrated efforts taken to address each of these sets of changes will interact.

At its beginning, business education often had the feel of a trade school. One of the early influential studies of business education noted that

> Business administration is a vague, shifting, rather formless subject in which neither the foundations at the undergraduate level nor the superstructure at the graduate level can be sharply defined.[4]

Definition did eventually come in the form of accreditation by the Association to Advance Collegiate Schools of Business (AACSB), but even then the pace was slow.[5] Indeed, until 1958, AACSB, the accrediting body for business schools, which itself has been in existence since 1916, had never issued standards for master's programs in business education. Its first standards were rather limited, consisting of specifying a minimum time of study to qualify for a master's degree (one full year of course work or its equivalent) in at least three of the subject areas of accounting, finance, marketing, statistics, economics, and management and the equivalent of one academic year of full-time work for holders of baccalaureate business degrees and two years of work for those with other baccalaureate degrees.[6] By 1985, however, the curricular standards AACSB issued for master's programs provided a broad framework for the professional needs of a business manager that are still relevant today. As Lyman Porter and Russell McKibben wrote in an influential book

> The purpose of the curriculum shall be to provide for a broad education preparing the student for imaginative and responsible citizenship and leadership roles in business and society — domestic and worldwide. The curriculum shall be responsive to social, economic, and technological developments and shall reflect the application of evolving knowledge in economics and the behavioral and quantitative sciences.[7]

These standards called for students to have completed a more comprehensive "common body of knowledge" (including accounting, business law and ethics, operations, marketing, finance, organizational behavior, management of information systems, and management) at either the undergraduate or graduate level; to achieve breadth of knowledge (the equivalent of at least fifteen credit hours) beyond the common body of knowledge and outside any specialization; and to have at least two semesters of academic work beyond the common body of knowledge and beyond the baccalaureate degree taken in classes reserved for graduate students.

THE DIFFERENT MODES OF DELIVERY

The specific subjects to be studied, in what depth and breadth, and the ways in which these are delivered have evolved over time both in response to the changing nature of business and individual work and in anticipation of business needs and individual input in the future. The mode of delivering those subjects has also expanded and evolved. Once the MBA was a nearly one-size-fits-all full-time program, typically taken over two academic years if the student did not have an undergraduate degree in business and might be either one or two years otherwise. However, the MBA, as well as other related specialized master's programs in such business specialties as taxation, real estate, finance, human resource management, or computer information systems/management information systems (CIS/MIS), now may be delivered as full-time, part-time, or executive programs on campus or off; in the classroom or online/distance; in schools or in corporations; in the daytime, in the evening, or on the weekend (see Tables 1.1 and 1.2). Just over 60 percent of all MBA students pursue the degree part time, with more than three-quarters of those part-time MBA students in traditional evening and weekend classes. Indeed the image of the MBA program has rightly changed to reflect this diversity of learning platforms.

Some MBAs are completely campus bound, whether in bucolic rural settings or in urban centers, whereas other MBA students in part-time programs shuttle back and forth from jobs to school to home. Weekend executive programs (the EMBA), usually populated by middle managers and junior executives, are intense, full-immersion enterprises aimed at respecting the limited time of their students. There have been dramatic changes in the EMBA market just since 2001. Prior to that time, these programs were often used to acknowledge and

TABLE 1.1. MBA and Specialized Master's Degree Enrollment by Full-Time and Part-Time Status (2003)

Full-Time and Part-Time Status	U.S.	Canada	Outside U.S. and Canada
MBA full-time percent	39.7	44.5	34.1
MBA part-time percent	60.3	55.5	65.9
Specialized master's full-time percent	48.5	63.6	43.4
Specialized master's part-time percent	51.5	36.5	56.6

Source: AACSB International and Canadian Federation of Business Schools Deans, *Pocket Guide to Business Schools*, p. 30, Tampa, FL, 2005.

retain high-potential young executives. Programs were accordingly directed toward and sometimes limited to those with corporate sponsorships. Between 2001 and 2003, corporate sponsorship dropped sharply from 44 percent to 38 percent.[8] This decline is partly attributable to the downturn in the economy and partly to a realization that the programs were often less effective than anticipated as a means of retention. At the same time, there has been some "blurring" between programs as

> degreed programs grow shorter and nondegreed programs grow more complex. While fewer employers want to pay high prices for their employees to receive an EMBA, they still want key employees to learn essential skills. Looking for a less pricey source of business education, they often turn to nondegree programs.[9]

TABLE 1.2. MBA Enrollment by Program Type (2003)

Table shows enrollment in each program type as a percentage of total MBA enrollment for each country.

Program Type	U.S.	Canada
Full-time traditional two year	23.8	20.6
Full-time accelerated	2.8	6.3
Full-time distance learning	0.2	0.0
Full-time other	3.0	8.0
Part-time evenings and weekends	47.4	14.8
Part-time off campus	5.9	2.7
Part-time distance learning	2.1	15.5
Part-time other	5.8	3.3
Traditional executive	6.2	28.8
Other executive	2.8	0.0

Source: AACSB International and Canadian Federation of Business Schools Deans, *Pocket Guide to Business Schools*, p. 29, Tampa, FL, 2005.

And, as for the online MBA programs, they involve students who sandwich their instruction into busy lives anytime they can as they benefit from the immense flexibility of cyberspace. And sometimes the students even *look* different ranging from the relaxed, informal dress of the on-campus students at the University of Southern California or the University of Florida to those who arrive in business attire from jobs on Wall Street for their nighttime courses at schools such as Fordham University, New York University, or Pace University, where they truly burn the midnight oil. Executive MBAs, often self-consciously fondling their Blackberries still connected to their offices, might wear expensive, studied casual wear. They also expect executive conference surroundings and refreshments. As for the online student in programs such as the popular University of Phoenix, they can wear anything—or nothing, as they please. At one level, to paraphrase Gertrude Stein, *an MBA is an MBA is an MBA*, but, as we will explain in later chapters, there are also fundamental and profound differences among the different MBA platforms, the individual schools granting degrees, and the way they are perceived by the rest of higher education—and importantly by businesses that may or may not hire given MBA applicants.

THE CHANGING NATURE OF BUSINESS

Whatever the mode of delivery, the MBA degree is an interdisciplinary degree intended to equip the student for a career in business management. Over time, the nature of business has changed and so has the nature of a career in business management. During the years of explosive growth in the MBA degree, business has undergone dramatic transformation. Early in the history of the MBA degree, the fact that there were no curricular guidelines often led to great fragmentation as business schools, eager to please, added courses responsive to businesses in their locale. It was unclear whether the MBA was simply another graduate degree—like a host of other specialized master's degrees—or a professional degree—like law or medicine. The business world at that time was at the peak of industrialization, a transformation of the economy that had begun in the United Kingdom and the United States in the mid-1800s. Management of companies was strongly hierarchical, with limited points of entry to line positions and clearly defined ladders of progression that called for movement from step to step strongly determined by time in service. Careers were within a single corporation and were managed by the corporation not the individual. Although an MBA degree might ease entry into this career, it probably served more as a filter to screen potential candidates than as a provider of an essential skill set. And business leaders remarked that B-schools rendered an essential service, that of finding bright people interested in business with some exposure to key business concepts and tools, whether or not the firm hiring them really valued the degree per se. Indeed, a recent study of the economic value of a university business education in Australia estimated that approximately 80 percent of the increase in income associated with either an undergraduate or a graduate business degree was due to the education's role as a filter that sorts out people with "greater innate ability."[10]

By the 1970s the pace of economic change was accelerating and technology was changing the nature of work, though also often blurring the distinction between functions performed by the worker and those performed by the machine. The focus of attention and of employment was shifting from the production of goods to the provision of services. At the same time, the deregulation of key industries and the spread of information technology both accelerated these developments and opened all markets to global competition. This would ultimately lead to a so-called "flattening" of business hierarchies, wherein modern business thinking seemed to command that "the flatter the organization the better."

The transformation of IBM during the 1990s from a large manufacturer of computers and related products to a provider of information systems solutions is the ultimate manifestation of these cumulative changes to date and a demonstration that these forces affect individual organizations as well as the economy as a whole.[11] Nor are the changes complete. Indeed, it has been argued that the changes occurring in companies as a result of the development and spread of information technology will transform the workplace even further so that the "company of the future will concentrate on managing people more than on managing physical assets. It will focus on trying to get the best from its knowledge capital."[12] And as for the decline of hierarchies, the flattening of organizations, the *Financial Times* said of the modern management organization that the modern adage "flat is beautiful" values businesses wherein the levels of hierarchies are few, thus discounting the role of middle management. As writer Morgan Witzel put it:

> Compared with older structures, they are supposed to be less bureaucratic and more flexible, less authoritarian and more democratic, more innovative and less bound by rules and traditions, better at internal communication and better at responding to customer needs and allowing employees to work to their potential to achieve job satisfaction.[13]

All this is, of course, a very tall order for business schools to meet.

MANAGEMENT AS A PROFESSION

Management of today's company calls for a very different set of skills and offers a very different career path than the industrial firm of fifty years ago. Today's manager needs specialized skills in accounting, financial analysis, marketing, information technology, and so forth. The manager's career now has the attributes of a profession, "defined by craft or skill, with the possession of valued knowledge the key determinant of occupational status, and reputation the key resource for the individual."[14] Entry to the professional manager's career hinges on the validation of a set of credentials, and advancement in that career depends on growing knowledge and reputation and is not necessarily linked to any one firm. The professional manager is then analogous to the lawyer or doctor whose entry into his or her career depends on the validation of a specific skill set and whose advancement comes with growing knowledge and reputation. Of course, today's managers live in a world with changeable markets in which firms sometimes "value flexibility over efficiency and speed over scale," as Mohan Sawhney wrote in the *Financial Times*. He notes that people know about "modularity of products and IT systems, of decoupling of businesses, processes, and value chains," all of which requires calibrated changes and the integration of new knowledge in MBA programs. But for all the talk of the transformative nature of an information society and a service economy that has all but displaced traditional manufacturing, change comes slowly, even there:

> While business has entered the information age, the operating model of many companies is still rooted in the industrial age. The logic of "make-and-sell" still dominates the thinking of large industrial groups. It assumes that competitive advantage comes from economies of scale, that consumer needs can be predicted and even influenced by the company, and that operations should be designed to maximize efficiency and utilization of fixed assets. The make-and-sell model works well when markets are stable and change is slow.[15]

The advance of the professional manager in this complex and often contradictory world is both a consequence of the growth of the MBA degree and a validation of that degree. As noted earlier, the MBA is the entry ticket or union card for employees on the management track, and thus it is anticipated that they will be able to adapt to the modern business world, in which their formal training and the experiential learning that comes only with on-the-job exposure are both valued. Consistent with the framework set forth by AACSB, the MBA degree calls for the student to acquire a specific set of technical skills as well as advanced studies in business subjects and to be able to integrate that knowledge with practice in order to direct business activity in a responsible way. Thus the MBA degree continues to provide a filter to identify candidates for entry into the management ranks, as it did under the old hierarchical structure of management, but now it also provides a specific set of functional skills needed for the service/information economy. This is not an exact science, and as will be clear in later chapters, there are as many different ways to achieve this goal as there are schools of business and modes of delivery. Moreover, different students in the same program may achieve different results. Each student must carefully consider how that program matches his or her interests and needs in entering the management profession, appreciating, as Harvard Business School's Rakesh Khurana has observed, that like all professions, of management has these four defining elements:

> an accepted body of knowledge, a system for certifying that individuals have mastered that body of knowledge before they are allowed to practice, a commitment to the public good, and an enforceable code of ethics. Professions are thus oriented toward practice and focused client needs.[16]

In focusing on the client needs, the management profession must also be highly flexible and agile as the forces that have been transforming business and other organizations accelerate and affect organizations worldwide. The MBA degree that prepares students to enter this profession must be commensurately flexible and agile. As we mentioned earlier, MBA programs have the dual challenge of keeping pace with the changing demands of higher education generally and the norms of business schools more specifically. They must, after all, be accepted members of their tribe to maintain their status as business schools granting MBA degrees. And that means more than satisfying their own faculties and their desires, but also living within the educational environment of the American university, which demands some measure of academic rigor and intellectual leadership. At the same time, business schools necessarily must be attentive and attuned to change in business, in both its overall structure and its operations. This means monitoring the economy short term and over the long haul as well as understanding business cycles and how business decisions are made in an always uncertain economic environment. Against the backdrop of volatile financial markets and a penchant for short-term thinking in business, the business school must do more than follow the news in real time, whether in the *Wall Street Journal* or in the electronic pages of *TheStreet.com*, and make applications to the curriculum and specific courses. It must instead know and understand the basic building blocks of business and management knowledge, linking them to relevant and lasting changes in business, but being careful not to be swayed by the latest fad.

To the question we posed at the beginning of this chapter, we shall give a tentative answer: The noise and numbers attending the MBA—its appeal far outdistancing all other graduate degrees—are, we believe, fully warranted. Full disclosure requires that we do this against our own bias—that of a commitment to business education. Both authors, by choice, are affiliated with business schools, one of us after academic training as an economist and a career in government and business, and the other from communication research and a career outside business education in universities and think tanks. Both of us, on the basis of combined comparative experience, are bullish on the MBA, believing it to be the result of high admissions standards, rigorous analytical training, and relevance to business in the best sense. We go even further, believing on the basis of evidence and experience that the MBA is a premier graduate degree, comparable to the law degree and often surpassing master's degrees in other professional fields. Further, as we shall demonstrate in subsequent chapters, the MBA is valued by business and business leaders, some of whom are also critical of it and who advocate thoughtful and often useful change. The MBA to which we are committed, as we have written this book, is not a static enterprise, but one grounded in tradition and time-tested knowledge and experience that nonetheless makes change when necessary, sometimes incremental, sometimes radical.

Now, join us for an inside look at the MBA: its nature, scope, virtues, challenges, and failures.

CHAPTER **2**

WHY AN MBA, ANYWAY?

In the spring of 2005 more than 130,000 young Americans received their MBA degrees while another 250,000 or so were in the pipeline, some in readiness for their second and final MBA year whereas others took exams and competed for places in future MBA classes in business schools. Still others were poised to seek admission for the 2006–2007 academic year and beyond. Even more were contemplating the MBA, determining whether they needed it for business or whether another career and professional calling best suited their interests, needs, and passions.

Few academic pathways are fraught with as much angst and contemplation, perhaps befitting society's love–hate relationship with business itself. Consider the reality TV series, *The Apprentice*, presided over by real estate mogul Donald Trump.[1] With the lure of a six-figure job working for Trump himself, a group of highly motivated, high-achieving MBAs engage in a ritual of cutthroat competition. And at the same time that the program lures a lusty audience of millions, most Americans say they are not fond of big business, which regularly ranks near the bottom of the Gallup Poll's annual survey on confidence in institutions. In the same study, banking—a critical component of business and the economic system—gets high marks, ranking in the top five behind the military, the police, and organized religion—and ahead of the presidency![2]

If Americans are ambivalent about big business in the wake of years of business scandals that have rocked the corporate world, accounting, the insurance industry, HMOs, Big Pharma, telecommunications, and others, they are friendlier toward small business and entrepreneurship—and they admire innovative business leaders, giving them higher marks than leaders of other institutions, including members of Congress.

Still none of these opinion churns seem to have much effect on those seeking the MBA, even though the MBA is a credential—and business schools themselves are under attack for failing to provide the right (and most ethical) cadre of managers and leaders. As Chapter 1 notes, the growth of MBA programs has been accompanied with lofty educational goals aimed at influencing the performance of business itself. This has also yielded criticism that blames business schools and MBAs for Wall Street crashes and business scandals, even though both were part of history, long before business schools were first conceived.

In a sobering article in *Fast Company*, management theorist Henry Mintzberg wrote:

> Dear new MBA:
> Congratulations! You have a sparkling new degree, highly prized in this world. You have learned a great many things about business. You have invested two years of your life, not to mention lost wages and a small fortune in tuition, in this impressive undertaking. As a result, you are fully qualified to go out and become a menace to society.[3]

Mintzberg, a management professor at Canada's McGill University, joins the ranks of business school critics who argue that the MBA has been greatly oversold to business, which expects too much of people who have studied business, but who they say lack necessary experience to be master managers the day after graduation.[4] Ironically, several former deans of business schools, once cheerleaders for the MBA, have also become critics, including the former dean of the Yale Graduate School of Management, Jeffrey E. Garten, who says, "business school education has got to change dramatically," to meet the demands of a rapidly changing global society, in which it is no longer clear what needs to be taught.[5] The reasons for this are complicated, but understandable. On the one hand business itself is changing so rapidly and pervasively that it is difficult for MBA education to keep pace, let alone anticipate the long-term changes that will affect people in the workplace a decade from now. On the other hand, business schools need to craft their programs carefully, not responding to ephemeral changes in business, but adjusting for those that have more lasting consequences. Figuring out just what this is keeps forecasters and visionaries up at night. So, what most business schools do is chart a middle course, respectful of truly evident and revolutionary changes (such as globalization and technological convergence) while biding their time in determining the impact on particular industry segments or the major business and management functions, which necessarily change slowly. Business schools and higher education, generally, as we will discuss later in this book, change slowly because they are not doing a play-by-play analysis of every trendy development. Instead they try to consider those that are important and likely to be lasting. Business schools are naturally concerned about their academic credibility and their own survival in universities, which are venerable institutions known for intellectual rigor and scientific assessment.

AND STILL THEY COME

In the face of these indictments why do MBA programs still draw record enrollments and why do businesses keep employing them? Why also is the nonprofit world seeking MBAs to help manage its enterprises and solve problems in an environment in which "commercial discipline" is demanded by all sectors?

Is the legion of applicants for the GMAT tests and for admission to MBA programs simply uninformed, unaware of the frailty of the educational program they covet? Or is it a realization of the complexity of business for those who have begun careers and find they need additional education and training? Or might it be a desire of managers to raise their standard of living, finding that the kinds of jobs available with a bachelor's degree simply don't pay enough and underscore a disconnect between the aspirations they had in college versus the realities of their first jobs?

Most assuredly, as President Calvin Coolidge famously said, "the business of America is business," though some would part company with the admonition of a former CEO of General Motors who believed that "what's good for General Motors is good for the country." Still, the United States and most of the world are part of a market economy. We live in capitalist societies that are increasingly part of global networks, so the question naturally arises as to who will manage and lead in the commercial marketplace. Historically, people learned business through work experience, apprenticeships, internships, management training, and other endeavors organized to provide a competent and knowledgeable workforce, especially in an industrial society. Manufacturing and extractive industries require a trained workforce, organized to guide the machinery of business, big and small. Even the agrarian economy, which now calls itself agribusiness, covets MBAs. And, of course, the modern information society with its service orientation is a regular port of call for MBAs seeking employment.

Unlike the rest of the world, in which business was learned almost exclusively by on-the-job experience, what some called in-service training, the United States has a long experience with (some would even say a love affair with) formal business education training at the undergraduate level and increasingly through the graduate MBA degree—the recognized passport to entry-level jobs, management assignments, and leadership roles as well. No doubt the MBA as a passport to promotion and career achievement is linked to our tradition in the United States of meritocracy rather than the kind of class/caste entitlement common elsewhere in the world. We take up the ways that the MBA gained status and took command of business in the next chapter, but the critique offered here continues to puzzle and perplex. If Europeans, Asians, and others were once reluctant to embrace MBA programs, that is no longer the case. Not only do they have eminent programs in most major countries aimed at their own people and those from the region, these programs are also now competing feverishly for students in the United States. Indeed, these are no longer exotic alternative programs, but real and growing competition for U.S. business schools too.

MBA DECISION FACTORS

Although it is always worth considering the larger social context of one's life and career, most people are not social analysts, but rather human animals interested in themselves and their own future. People are influenced by their families and friends. They are guided presumably by their genuine abilities, their personal interests and passions, as well as the reality of planning a career with a job at the end of the road—one that is satisfying, appropriately compensated, and linked to the future. Some people put wealth creation high on their list of priorities and are attracted to business (rather than the clergy) for this, among other reasons. Some want to have influence and even power, desiring a leadership role in their field and in society generally. For every individual it is a personal decision drawing on these and other factors that leads that person to apply to an MBA program.

Naturally, everyone drawn to the MBA needs to know as much as possible about the benefits and limitations of the MBA in general, before considering an individual school. We the authors of this book are convinced that the MBA is a premier degree of real value to individuals, business and other enterprises, and society itself. The MBA as a graduate, professional degree (and credential) has genuine cache, perceived value, and prestige with business leaders and those from other institutions. Businesses give the MBA a "thumbs up" by voting with their feet and hiring record numbers of MBAs every year. These people get promoted and achieve success as thousands of reports and studies attest. The nonprofit and NGO (nongovernmental organizations) are increasingly interested in MBAs as articles in such journals as *Nonprofit Management* and the *Chronicle of Philanthropy* demonstrate. The so-called independent sector (as distinguished from business and government) increasingly seeks people with MBA training, recognizing that nonprofits are noncommercial enterprises, but they do require fiscal resources, sound planning, and management—and the commercial discipline we spoke of earlier. Other institutions outside of the commercial sector are also showing interest in MBAs, including the military, government agencies, higher education, and others. All this signals the value of the MBA.

Necessarily, business schools, because they are attentive to "the market" of business and commerce generally and the needs of given fields more specifically, are ever changing. Recently, business schools are shifting their emphasis on specialized areas such as finance, operations management, information technology, and marketing to a more thoughtful integrated approach.[6] As Donald Wilson, director of graduate business programs at Rochester Institute of Technology, told the *Wall Street Journal*, "Our goal is to get students to think more broadly about how things come together." This is done there and at other schools through cross-disciplinary exposure, connections to relevant fields outside business. Students at Carnegie Mellon's Tepper School of Business are encouraged to take biotech tracks drawing on courses in science and public policy, for example. And efforts to put it all together are seen at such schools as Rensselaer Polytechnic Institute in a course titled Creating and Managing an Enterprise, which first-year students take for a full academic year. At many schools, MBA students do de facto crisscrossing of academic departments and disciplines through case studies that promote wide-ranging thinking.[7] Other examples of bridge building to particular industries would include Rutgers Business School's program aimed at the pharmaceutical industry, which has a major presence nearby.

Obviously, a person seeking a legal career or others that benefit from the problem–solution approach of legal education are well advised to get a law degree, whereas some in government positions will benefit greatly from degrees in public affairs, public policy, and even such areas as public health. However, many in these fields seek some business education to prepare them fully for management and leadership even in such professed public service professions that decry "filthy lucre."

THE MBA: PROFESSIONALISM AND LEADERSHIP

If business schools are controversial, and if the MBA's value is doubted, then why the rush to enroll in these programs? Although there are scores of articles critical of MBA programs that anyone can find with a simple Google search, they represent a tiny, if vocal, minority of MBA detractors. No one argues that MBA education is perfect, yet it is clear that it is the standard for serious entry into the corporate world. About that, there is no question!

Part of the consternation is the conflicted role of formal education in business and what it is supposed to accomplish. Business schools are professional schools in the same institutional family as medical schools, law schools, and schools of education and social work for that matter. But unlike these schools one does not need a license from the state—or to pass an agreed-upon exam—to enter the profession.[8] In fact, there is an active debate as to whether business is a profession at all. It has many of the characteristics of a profession. After all, business is an institution with a specific role in society and functions that require a high degree of knowledge, experience, and skill on the part of those who make up its human capital. And most institutions depend on a cadre of professionals with broad knowledge and a capacity to apply it in a practical fashion. The U.S. Bureau of Labor Statistics maintains that a profession has these requirements: (1) prescribed educational standards, (2) licensing, and (3) enforcement of performance standards by the profession itself.[9] Increasingly business (thanks to fairly unified MBA programs and their well-defined core disciplines) has educational standards. Business professionals, of course, are not licensed by the state, though some specialists such as accountants are. Various professional organizations and societies do certify their members in fields such as financial services, management, and others. Businesses operate with licenses that are typically granted by municipal governments, but individuals themselves are not licensed. If business has performance standards—and there are various codes of ethics—they are more likely defined by social norms.[10] What standard practices of business are acceptable to customers, the larger public, and legal and regulatory authorities? What passes the smell test? Gross corruption, as in the business scandals of the early years of this century, comes to public notice and is censored by public opinion, the media, and sometimes by regulatory agencies or the courts. A body of business law clearly sets boundaries, but short of criminal sanctions, people are rarely drummed out of business by their peers because of performance standards. Even if they are, nothing stops them from starting a new business.

However, if it was once thought that *business ethics* is an oxymoron, that dismissive idea was changed dramatically by the likes of high-profile CEOs who were excoriated by bad publicity or sent to jail by courts in cases involving firms such as Enron, WorldCom, Adelphia, Tyco, and AIG, whose transgressions accentuated the need for business ethics. Business schools revved up their courses in this area, arguing that the new, ethically sensitive MBA was not only better for business but also for society. This correlates with the notion that professionals are altruistic, that they serve a purpose larger than their own ego and personal greed. That's integral to such professionals in law and medicine, though no one argues that those who staff, manage, and lead enterprises involved with these professions aren't well compensated. Although there has been no check—other than the judgment of the boards of directors—on compensation, increasingly corporations, the business community, and its cadre of managers and leaders want to be identified with the public interest. Once when asked what the "social compact" was for Microsoft, a company executive in a conversation with one of the authors replied, "Making good products and generating jobs. That serves society." But Microsoft and other major corporations go a step further: They urge their people to engage in activities that foster corporate social responsibility, and institutionally, they give money to worthy causes that serve the public interest. Most commentators today agree that business leaders and managers are, in fact, professionals, even if they don't fully meet the criteria set down by sociologists and organizational specialists.

LURE OF THE BUSINESS PASSPORT

Still, the MBA is the passport to business for a number of reasons, not the least of which is that MBA graduates are steeped in the culture of business. They have analytical skills and a capacity to craft business plans. They undergo rigorous training in several fields including finance, management, marketing, accounting, information technology, and so on. Additionally, many business schools insist that their students learn business law, have an acquaintance with business ethics, and also master techniques of communication and negotiation, among other things.

Why do people seek the MBA degree? There are myriad practical and idealistic reasons, including the following.

Status Conferral

The degree has cache and is almost universally known and recognized as representing a rigorous, high-caliber educational experience that has stood the test of time. Many businesses and corporations recruit for new management-level personnel exclusively in leading business schools, thus reinforcing the value and importance of the degree. The better the schools, the higher the status, though this can sometimes be misleading.

Competency

Whether a person has gotten a grounding in business as an undergraduate or has had no such exposure, the MBA is a boot camp of sorts. It puts its charges through an educational experience across requisite core courses; has specific knowledge requirements; and subjects them to formal tests, the joist of public presentations, and various written work from formal presentations to business plans or rigorous papers. The best students master the knowledge of business broadly conceived and acquire expertise in their specific MBA major or majors.

Exposure to Experts

Arguably one could do the MBA at home, or online, but one key ingredient would be missing—face-to-face exposure with top faculty members, experts in their fields, who guide and mentor the MBA student through the program. Additionally, business schools expose their students to intellectual and professional traffic that involves guest speakers, executives-in-residence, and others drawn to the campus and engaged in the learning process. There are often experts on particular firms—or even whole industries—among fellow students, who then become an additional source of learning as well as networking and job placement. This is an argument against on-site MBA programs in the workplace, because the rich diversity found in the background of fellow students from other industries would be effectively lost.

Networking

MBA students are social animals who converse with their peers, faculty members, outside speakers, notable alumni, and others. They attend social gatherings, parties, quasi-social seminars, and conferences. There are student clubs and societies, sometimes connected to such majors as finance or marketing, or interest areas such as e-commerce, international business, business and media, sports, and other topics. MBA students forge lasting relationships as they meet future business colleagues, employers and employees, business partners, spouses, and others in the process of networking. At Wake Forest's Babcock School of Management, a required course called Fundamentals of Career Management helps students overcome any reluctance to promote themselves and their network. At Arizona State's W. P. Carey School of Business, a retired chairman and CEO for several companies, Robert O'Malley, helped create a mentoring program that connects students with senior executives in the Phoenix community.[11]

Experiential Learning

Although most MBA students come to their first class with several years of business experience, it may not be specifically relevant to their new major or future career plans. Work for work's sake is valuable, but even more important are the tailored experiential learning activities guided by business school faculty and staff. These include internships, field experience, corporate site visits, participation in major conferences and meetings, and others. MBAs use their status in the program to gain access to business leaders directly, whether engaging in an informational interview or learning something about the business for inclusion in a study or term paper.

Career Counseling

B-school faculty members and others who are part of the intellectual and professional traffic through a school can be valuable career counselors, as can those specifically assigned to this task within business schools who themselves work closely with the industry to promote the school and showcase its students. Creative conversations laced with speculative thinking help MBA students "stretch" as they consider both traditional and new business careers. The best of schools organize formal sessions that help students not only assess the current market and its options but also imagine new fields or endeavors and yet untried career patterns.

Workplace Preparation

The successful businessperson needs more than the substantive knowledge and analytics of a given business field, whether that is banking, real estate, high technology, biotechnology, or others, but also how to be a successful employee, manager, and leader. The nuances of navigating the large corporation, medium-sized business, or even a small family enterprise benefit from formal discussion, planning, and testing out. Business schools do that in the context of formal courses, outside speakers, special projects, off-site visits, and other means. This also involves effective business communication in contrast to old- style English composition and learning to work effectively with others, how to lead, and to resolve conflicts. And although initial hiring, promotion, and other achievement live in everyone's imagination and dreams, it is also critical to consider job displacement, downsizing, and sacking. Learning to deal with every contingency professionally and with emotional strength is something an MBA program can assist with.

Preparing for Society and the Future

Although business schools deal mainly with the reality of contemporary business and the market system of the present, they also offer a glimpse of business past, through courses in business history, and of business future, through course work that considers strategic planning, business development, and other efforts at forecasting. Importantly too, business schools consider the "big picture," macrotrends such as globalization, digital networking, political change, and others that are shaping business and society. This preparation is essential for anyone who uses the MBA as a brief for his or her future, not just a passport to the present.

The Job Market

The founding father of public relations, Edward L. Bernays, was fond of advising "don't plan for a job, plan for a career," as he urged people to truly know themselves—their basic needs and desires—in entering the workforce. That's wise counsel, of course, but in reality MBA students have an immediate, and long-term, goal: Getting the best possible job in the field they wish to enter. Here they are interested in the assignment itself, compensation, location, promotion possibilities, and a myriad of other concerns. MBA programs typically have career placement personnel; faculty members also join this endeavor as do alumni and others. On-campus interviews are also part of the picture, but as with anything else, personal motivation, resourcefulness, and careful planning by individual MBA candidates is crucial—and the school's concern with the market and specific placement is simply a platform, rather than an end in itself. MBA programs are not employers who guarantee a job, but they can and do help make the launch.

CONNECTING HEAD AND HEART

For some, deciding to pursue an MBA program is largely a rational decision. They are already in business and want to advance beyond the "wooden ceiling" that often blocks people who don't have the savvy, sophistication, and knowledge that MBA programs try to inculcate. Still others come from business families and have never considered another course of action for their lives and careers. Others come to business of necessity. Former Time Warner CEO, Gerald Levin, says he would have preferred poetry, but needed to make a living. Insurance executive Edward Berube, formerly of Bankers Life, was ABD (all but dissertation) in a philosophy graduate program when he "looked at the sorry academic marketplace" and opted for business. Both became highly successful and creative business leaders. MBA programs are right for people who are

- committed to business careers;
- interested in acquiring business knowledge and competencies;
- capable of working with people toward common commercial ends;
- desirous of bringing business knowledge to other fields;
- willing to master rigorous, analytic methods;
- willing to commit the time, money, and energy required;
- likely to be satisfied with the outcomes of business education;
- enjoying the prospect of working in large organizations or being an entrepreneur;
- accepting an MBA education's shortcomings and limitations.

We'll consider these in future chapters in an effort to help those contemplating the MBA make a decision about whether the MBA is for them—and how they should go about finding, targeting, and ultimately selecting a school that will also vote for them.

MBA programs are *not* for everyone, as we've previously noted. This is especially true for persons who

- value isolated, independent activity wherein individualism trumps cooperation;
- emphasize creativity first and who have difficulty negotiating and compromising in their work;
- object to routinizing tasks and maximizing efficiency;
- cope poorly with change and adaptability;
- care little about the profit motive and the marketplace;
- avoid competition and competitiveness;
- find communication and transparency in decisions difficult;
- prefer long-term rewards and projects that take years to discern the outcome;
- have difficulty with quantitative analysis;
- prefer another field or more scholarly orientation.

It is crucial to connect one's personal ambitions and long-term interests to the MBA program and to see whether it is a good fit, measures up, and is likely to yield a satisfying, productive life and career. One MBA graduate of the Wharton School at the University of Pennsylvania, Paul Sheppard, who kept a diary for the *Financial Times*, was asked to sum up his educational experience as follows:

> . . . was it really worth taking two years to do an MBA? Don't I wish I had just stuck at the path in front of me? And is an MBA really just a short refuge for lost souls looking for someone else to show them the way forward? These are all questions I have been asked.

His response:

> It is certainly true that the students who were most focused on what they wanted to achieve before entering business school tended to get the job they wanted when they left. [But he confesses some disappointments and concludes] Having spent the past nine months actively recruiting and facing setbacks in a way I have never done before, I have a much keener sense of my strengths, weaknesses and what really excites me. [and that] The skills I learned at business school make me better at both challenges. . . .[12]

He and others who have kept such diaries are generally impressed by both the academic rigor and the intellectual excitement they found in business schools as well as the welcoming atmosphere. Typically, they praise business schools for their attentiveness to change—and awareness of the society for which they are preparing business professionals. They also have complaints ranging from their fellow students, teachers, isolation from the rest of the university, workload, and others. These complaints coupled with far more expressions of satisfaction are the stuff of the various rankings as MBA students and other stakeholders in MBA programs express themselves.

Thus, the MBA decision is an especially important one that requires a great deal of self-knowledge; an assessment of others, whether teachers, family, friends, or outside experts; an understanding of the range, scope, quality, and value of various MBA programs; and a capacity to determine whether this is the right educational pathway for oneself, and, if so, which specific route makes the most sense.

CHAPTER 3

IT WASN'T ALWAYS SO—FROM BEST PRACTICES TO BEST STRATEGIES

As aspirants for MBA programs enthusiastically explore the many and varied offerings of U.S. and international business schools, they can be sure of one thing. Business schools have élan, a sense of importance in the world at large and on their respective campuses. As professional schools go, business schools are well thought of even though they may not have the institutional prestige of schools of law and medicine. From their impressive physical plants to their high profile on campuses generally, business schools radiate success. Importantly, they are well connected to the business community through networks of alumni and by the hiring practices of industry among other indicators. Great universities such as Harvard, Yale, and Chicago have well-established business schools, as do some 1,000 other institutions of higher education across the globe. Of these, fully 660 schools, or about two-thirds, are in the United States alone. On their respective campuses, business schools hold their heads high and command respect as valued *cash cows* because of their popularity with tuition-paying students. As mentioned earlier, they boast of important links to the outside world. Their faculties are in demand as consultants and advisers to business and are sought after by the media as experts on topics ranging from the stock market to globalization. Business schools no doubt benefit from the watchful eyes of influential business leaders, some of them members of the university's board of trustees. It does not go without their notice that MBA graduates command higher salaries than those of most other disciplines. Similarly, faculties of business schools are paid at a higher rate than those in the liberal arts and sciences—and even some other professional schools. Although these factors do not always make B-schools popular among their peers—indeed they are the source of envy—they are well established, well heeled, and, by most accounts, respected too.

ADVANCING STATUS, EMBRACING RESEARCH

This was not always the case. As Boris Yavitz, a former dean of the Columbia Business School and an expert on corporate governance, said, "for years business schools had the worst of both worlds, they were regarded as academically inferior on the campus because they were simply too practical and lacked any research tradition."[1] At the same time, he said, people in business found these schools "too inexperienced in the realities of business and too theoretical or impractical to inspire much confidence."[2] Business schools had large enrollments, mostly of undergraduates. They were the hybrids on campus: part professional school and part academic department. They had a fragmented curriculum and often lacked agreement about just what a business school was—or should be. Some critics in those days referred to the nation's business schools as "a vast educational wasteland," though that may have been a harsh judgment. As we mentioned in Chapter 1, there was a lack of accreditation standards until quite late. Before long, though, business schools made a great leap forward, improving their lot both on and outside the campus. As they evolved, business schools gained stature and left behind their old insecurity, which is now more likely to be felt by such "lesser" professional schools as education, journalism, and social work, which sometimes look covetously at the B-schools and wonder how they achieved their evident success. Indeed leadership institutes in some other fields study B-schools as exemplars of institutional development—a possible course for less secure professional schools to follow. Still, business schools today, in spite of the great leaps they made from the 1950s through 2000 or so, are by no means universally loved—or always warmly regarded by everyone on a campus or with outside critics—but they are clearly respected. As we mentioned in Chapter 2, they have their detractors, some of them internal; and there is a sense that business schools must continuously change, not only by updating old courses but also in fundamental, even radical, ways to keep pace with new developments and the sea changes in the economy and in particular industries.

Thus, it is useful to understand whence these schools came to know where they and their MBA programs are going. Any consideration of the dynamics of business school education and their changing MBA programs provides insight into the educational content one can expect to gain. In a real sense, MBA education has traveled a road from tactical, best practices (still valued, but not the complete picture) to a broader, more strategic, and integrated approach. Its programs' maturation, says former Dean Yavitz, involved buying into the *lingua franca* of higher education by B-schools establishing themselves as centers of research—both theoretical and applied. Still, Yavitz and others warned about overemphasis on research, especially highly arcane research that parts company with the perceived role of business education in the business community. As business schools became serious venues in which business leaders looked for intelligence that would help solve problems, their status soared. No doubt the maturation of business schools has gone hand-in-hand with the increasing sophistication of business in the face of a more complex economy and economic system. In a world that worries about the future, listens to forecasters, and wants a metric for every decision, business schools may have simply kept their ears to the ground.

Near the end of Alan Greenspan's term as America's central banker, a journalist described his office, adjoining the Federal Reserve's boardroom: "the desk is covered with papers—economic reports, memos, company reports, newspapers, a number of calculators. There are three screens: a personal computer, a Bloomberg terminal and a television on which the Fed chairman switches between news channels."[3] From this vantage point, for eighteen years until he retired at the beginning of 2006, Greenspan followed, analyzed, and considered the future of the economic environment. Consider that he needed to chart such factors as real growth in the U.S. GDP, productivity growth, inflation, interest rates, current account balances, equities, and other factors, such as sizing up the economy writ large. At the same time individual businesses sometimes have to cope with momentous changes. For example, in 2004 when the pharmaceutical giant Merck had to withdraw its popular painkiller Vioxx, this ignited thousands of lawsuits and fueled a backlash against the firm and other drug manufacturers. In 2005 the firm lost a major suit in which its arguments had been based on a scientific defense; a jury instead took aim at an alleged industry cover-up and the *Wall Street Journal* declared "Merck Loss Jolts Drug Giant, Industry."[4] For the industry, one executive summed it up with the words "the goalposts have shifted,"[5] suggesting new strategies and tactics in developing and promoting new products. Clearly business schools, like industry, must monitor changes from 30,000 feet up, as does the head of the Federal Reserve, as well as understand adaptability on the ground—at a firm like Merck. Doing this in the context of business education is more than a daunting challenge.

FROM TRADE SCHOOL TO RESEARCH LAB

Academic snobbery aside—and there is plenty of it—most MBA students come from the liberal arts tradition in which "knowledge for knowledge sake" is the credo. This stems, in part, from John Henry Newman's "The Idea of a University," in which "the training of the mind and the advance of universal knowledge, rather than the diffusion of practical information," was the highest calling of higher education.[6] Yet even the purist Newman recognized the importance of "knowledge in relation to professional skill," but argued against "professional and scientific knowledge as the sufficient end of a university education." It is the interplay between integrated, universal knowledge usually associated with advanced research and practical, problem-solving applications that is at the heart of critiques of professional education, especially that of business.[7] Of course, it should be remembered that there is always a social context for any institutional development and business schools grew up in the post–World War II period, which brought with it the first cohorts of college graduates from all social and economic classes.[8] More about this later.

From its first stirrings at the Wharton School of Finance and Commerce at the University of Pennsylvania in 1881, and subsequently elsewhere, professional education in business was highly vocational and utilitarian, placing its emphasis on specific industries and strongly influenced by the industrial revolution and the rise of big business.[9] Originally, business education was largely an undergraduate pursuit, but within a few years the MBA evolved, drawing a more advanced—and sophisticated—student, one already trained in the liberal arts and sciences. With the great revolution in American higher education and the GI Bill of Rights, business school enrollments exploded at the end of World War II. Because they felt a need to be practical to accommodate thousands of returning veterans eager to get on with their lives, B-schools created endless specialties, reflecting local and regional industry needs with courses getting more and more specific. Students were coming to school for very different reasons than previous generations of college students had—not only to become educated people but also to advance their careers and get specific training toward that end. And what the students faced as a result of their own educational consumerism was "a wilderness of singular instance," to quote Lord Tennyson. One wag complained that some courses in business schools were so fragmented and specialized that they even included one on "front office management in inner city hotels."

THE NEED FOR PROFESSIONAL MANAGERS

The need for professional managers across almost all industries during a period of great affluence and a booming postwar economy reinforced what business schools were doing. As they churned out MBAs ready to take on demanding jobs in all sorts of industries and firms, the nation's B-schools took on the character of "cash and carry" trade schools, which alienated them from the more scholarly aspects of university life and culture. Naturally this fostered a lack of respect within universities that quickly reached leaders of business and industry, who themselves complained that business schools were not sufficiently valued. This impaired the reputation of the MBA and caused some business leaders to wonder out loud whether graduate business education had much value, while happily hiring people with undergraduate business degrees for entry-level jobs. Some companies in those years, such as General Motors and CBS, for example, created their own advanced management institutes partly as a reaction to MBA programs that seemed unable to produce creative, strategically minded managers capable of "fast study" integration into the corporate workforce. And it was evident that business schools' failure to produce much new knowledge useful to the business community—and to scholars—was a factor in their lack of status. Another problem was inevitably that business schools did not know how to select managers per se and simply assumed that MBA training would do it. Given the lack of calibration between the university and industry—and the fact that probably no one knew with any certainty how to train managers for a rapidly changing business world—it should not have been surprising that business schools did not act as the perfect filter, though they did identify a flow of intelligent and motivated employees who wanted to become professional managers.

With the curriculum riveted with arcane specialties and facing increasing criticism in the academy, B-schools sought to do something about their problem. Reflecting on this period, Donald P. Jacobs, a longtime dean of Northwestern's Kellogg Graduate School of Management, said, "twenty-five years ago, the degree (MBA) was something that mimicked best practices. Since then, it's become a research-based curriculum really at the frontier."[10]

Two scathing reports on the state of business education from the Carnegie and Ford foundations in 1959 shook up business schools and led to far-reaching reform. Their conclusion: The state of research and theory in business schools was weak and needed immediate repair. In an era in which advanced research and development was fueling great change in industry, critics of business schools argued that they needed to contribute to knowledge, to be on the cusp of the future in preparing their graduates for a world different from what was then the corporate status quo. It was also evident that success in the university was also driven by research productivity and the generation of new knowledge. Business schools, it was argued, ought not to be way stations for retired executives or present-day managers, but instead should employ the best thinkers, problem–solvers, and forecasters as professors. The publication of scientific work in referred journals would become the basis for tenure and promotion. The two foundations and other sources underwrote studies that assessed the business school curriculum with an eye to changing it. The B-schools were scored for having little agreement about their educational purposes and focus. Their programs had grown like topsy and with little integration. The effect of the reports was swift—first, undergraduate business education was diminished greatly with some universities abandoning it altogether; and second, the modern MBA was born. What emerged was a codified two-year course of study with emphasis on core disciplines such as finance, management, marketing, accounting, and others with concurrent thematic emphasis on international business, entrepreneurship, and other areas. Business education advanced rapidly from much that was purely vocational to a more integrated connection between new knowledge (as represented by original research) clearly linked to instruction that was something more than rote learning of best practices. And all this reflected changes in business itself from functional silos in many businesses to true integration.

SCIENCE, ANALYTICS, AND THE REAL WORLD

As the new MBA was being created, faculties became enclaves of researchers often devoted to a particular brand of scientific research. As two critical business school professors put it, business schools have "adopted a model of science that uses abstract financial and economic analysis, statistical multiple regressions, and laboratory psychology." The professors, Warren G. Bennis and James O'Toole, call this approach "inappropriate and ultimately self-defeating."[11] So while the status of business schools in universities and society accelerated, a new wave of criticism came from former students, their employers, and others who decried the "less than relevant MBA curriculum." Arguing that business schools have abandoned their professional roots and mandate as professional schools, Bennis and O'Toole see them instead as having become research shops dominated by "fact collectors."

Why should students care about what is emerging as a fierce debate in academe? Because the research-oriented professors are in power and have created a curriculum that some critics say is too narrowly analytical with little linkage to other disciplines, let alone the world of professional practice in which fact use and integration are needed for solving practical business concerns and problems. They further argue that by drilling down deeply in their often-narrow respective fields—and failing to pay much attention to overall business trends and developments—professors are leading students astray and the MBA has less value than it might. As Bennis and O'Toole put it, "too focused on 'scientific' research, business schools are hiring professors with limited real-world experience and graduating students who are ill-equipped to wrangle with complex, unquantifiable issues—in other words the stuff of management."[12]

This is an old argument, though. It was introduced by Boris Yavitz in the late 1980s when he said that business schools should be proud of their newly found success as scholars and researchers, but they should be careful not to veer too far from the present day and future concerns of business. In other words, there is always a danger in being out of touch with potential employers and ultimately with customers too. In the midst of the current and continuing debate, there seems to be agreement on the need for "a new balance between scientific rigor and practical relevance," say Bennis and O'Toole.[13]

RECONSIDERING THE MBA

Unlike people considering careers in law or medicine whereby the professional schools in those fields are sole entry tickets to the profession, people entering business do have other options. Some people in business have no formal education in business at all; others study economics in a traditional university department and apply those lessons to business. Still others might find a law degree a useful tool for leadership and problem solving. Others entering the nonprofit management field can choose from master's degrees in public affairs, international relations, or public health. Each of these fields has its benefits, though none do what the MBA does, and none are specifically attuned to the profit motive in the way that business schools are. However, for some persons, study in a field other than business with a few business courses on the side might suffice. Some universities have joint programs that link fields ranging from public health to pharmacy to journalism and agriculture with business schools, sometimes yielding joint MA/MS/MBA majors or in other instances simply adding a collateral set of management courses. In other words, the MBA is not the only pathway to business, though the authors of this book believe it is the best one. And most assuredly, the MBA student is his or her own customer too, something we'll take up when discussing the importance of building a personal portfolio—in MBA education, making choices that reflect one's needs and desires in the context of the modern business environment.

MANAGEMENT EDUCATION AT RISK?

Although no one argues that business schools and their MBA programs should return to the days of trade school education when local factory managers sometimes taught courses, there are rumbles of reform in the nation's business schools. In August 2002, the business schools' accrediting body, AACSB, issued a report titled *Management Education at Risk*, which warned that the unique role of business schools is that "new knowledge developed through intellectual creativity and research efforts . . . both shapes the content of business curricula . . . and enhances business practices" (p. 5).[14] As the report put it:

> The marketplace for business schools today is characterized by relentless change. Increasing competition from non-accredited schools and globalization of the business education market are among the root causes of instability. Management education is at risk, and industry-wide leadership is needed to position business schools to respond to emerging priorities and challenges.[15]

In spite of the similarities of all MBA programs in their core courses and seemingly settled disciplines, they have clearly undergone great changes over fifty-plus years as they traversed the course from trade school to research institution. A cursory look inside business schools—where teaching is by the case method or the traditional lecture—suggests more stability than is actually the case. Just beneath the surface is a roiling battle that involves many of the stakeholders for MBA programs, not only the faculty but also their students, alumni, business leaders, and managers, among others. At its base the critique of business schools pits the idea of a professional school versus that of an academic department aimed mainly at creating new knowledge. Law schools have long faced this problem too. Although they encourage their faculty to be eminent scholars, experts in particular aspects of the law, that research yield occurs mainly in student-edited law reviews—and influences the development of the law as it is cited in judicial decisions. What happens in legal education—in the classroom—is closer to the reality of legal practice itself with students mastering the contours of civil procedure, constitutional law, property, and so on. There the case method—actual legal cases, not the sometimes fanciful "cases" of the business schools—is the main connector. Students study real cases to get a feel for the law and how lawyers, judges, and other parties actually function and perform. Business schools are more likely to integrate the yield of scholarly research into courses, much as graduate programs in other fields do. A PhD student in economics will likely hear a great deal about his or her professor's primary research interests, even if it blocks a comprehensive overview of the field. Business schools are professional schools, though they have tended to act like academic departments, more attentive to advanced scholarship than to the latest developments in a given industry. If anything, there has been a bias against specific industries with arguments advanced that MBAs are generalists whose skill set makes them valuable in any and all fields. At the same time it can be argued persuasively that most research in business schools focuses on highly specific questions within a given disciplinary silo, such as finance, when critics are calling for integration and a holistic breakthrough that can solve pervasive business problems. That's both the strength and the weakness of the modern MBA that is under fire today. High-caliber research, sometimes theoretical and quite arcane, is vital to the scholarly reputation of the business school on campuses, but at the same time this research turns off business leaders looking for more practical material. To be sure educational reform movements—if that is what this is—can be misread. One of the authors of this book once spent a year as a visiting scholar at Harvard Law School during a period when "the crits," or critical legal studies movement, was in vogue. Viewed as antitraditional and eager to reform law schools and the law totally, Harvard and other law schools listened and learned, but were essentially unaffected by this storm of criticism. Whether the present critique of business schools will have any significant impact is anyone's guess, though it is always advisable to pay heed when such rumblings occur. Yet, business schools must prepare people to live and work in a fashion that recognizes the way businesses are organized—and that does not change quite as fast as academic critics would like.

WHAT TO BELIEVE ABOUT RUMBLINGS FOR CHANGE

So, what does a prospective student make of the MBA debate, the gnashing of teeth among critics from inside the academy and in business itself? The debate is, in fact, somewhat duplicitous. The facts are these:

- Most business schools follow the academic-expert model and most faculties are likely to be scholars driven by theoretical interests.
- Many of the top-ranked schools sniff at professional school identity, arguing that they are more interested in generating intellectual capital than in following the nuances of "business as usual" practices in the marketplace. As one scholar told us, "we take the long view; we could care less about the passing show. Read the *Wall Street Journal* for that."
- Critics cast doubt on the value of the MBA as they seek to change it, but most of them are in graduate business schools that are "hastening slowly" toward any fundamental change.
- Schools aspiring to the top ranks, those who want to leapfrog their present status and move to the head of the line, are still attuned to the 1959-plus Carnegie-Ford recommendations and less willing to make their programs more practical.

Some business schools are finding dramatic ways to connect with the world of business, though. Years ago, Edwin Land of Polaroid in a speech at MIT urged business schools to own and operate their own businesses. The model was that of the medical school operating—or affiliating with—a teaching hospital so that students got on-the-job training under the watchful eyes of professors of practice. Some schools have set up investment clubs and small-scale management consulting firms to accomplish that end. Most, regardless of their penchant for rigorous research, encourage internships and field studies that bring students into contact with the workplace. And many professors do practically oriented research that takes up key industry issues and problems. Others have active consulting practices and involve students in this work. It is well to remember that dynamic MBA programs do not move lockstep or block criticism of their enterprises. One can be a loving critic of a given MBA program and still seek reform. Although it is useful to be attentive to the criticism that dissects the contemporary MBA program, remember that the status of any given school and its overall reputation, whether national, international, or local, won't change fast. It is likely that MBA education will undergo incremental changes short of a new Ford-Carnegie assault and that this will happen without anyone much noticing.

At the same time, business schools must change. The business community says so, wise former deans and other administrators with an expansive view of the field say so, and so do many alumni who look back on their MBA experiences and find them wanting, at least in part. The most enthusiastic promoters of change are often MBA alumni who bring the benefit of experience and context to their critique. Not surprisingly, the response to change at many business schools is a matter of fact, but not featured on the web site, and is mostly out of sight and out of mind for MBA students who are absorbing the lessons of the substance of the program, not rejecting its main premises or being professional critics.

ASKING QUESTIONS ABOUT CHANGE

What then should potential MBA students look for as they view the current state and probable future of graduate business education? Here are some approaches:

- Ask how the school is coping with change—in its curriculum, faculty hiring, and connections to business itself.
- Look for examples wherein the MBA program has "diplomatic relations" with course work outside of the business school itself—in law, economics, public policy, and elsewhere.
- Determine how thoughtful the changes are—are they changing for change sake, or do they reflect deep understanding and careful thought?
- Find out how MBA students are specifically affected by faculty research—in the classroom, through research projects, and in collaborations with professors.
- Ask about the relevance of the curriculum to the present and likely future of business.
- Ask about experiential learning opportunities (field studies, internships, etc.).
- Find out what kind of feedback comes from recent graduates and long-term alumni and whether it is integrated into the program.
- Ask about relative strengths and weaknesses of the program.
- Find out what is distinctive about the MBA program—who else does that and how well.
- Ask about the self-image of the school and program. How does it see itself? Is that a good thing—or are changes in the offing?
- Learn about student and alumni satisfaction through various surveys that are conducted.
- Determine to what extent the program is mostly engaged with the present—and to what extent it is effective in preparation for the future.

IT'S NOT EXACTLY WHAT IT SEEMS

Those who observe changes in education, such as the editors of *The Chronicle of Higher Education*, caution that any change in education is gradual and often can be overlooked until it is fully accomplished. Thus, while business schools championed a generic curriculum with the building blocks of major disciplines, their faculties became more and more specialized, creating new knowledge that was more microscopic than macroscopic. They were less likely to be wise sages or industry gurus, but rather scientifically oriented scholars, not business analysts. At the same time that business schools fostered general knowledge and promoted MBA programs for students capable of entering any industry, they also quietly established highly specialized institutes and curricular pods. The Sloan Foundation, for example, promoted industry centers at business schools that took up topics ranging from agribusiness to telecommunications industries. Sensibly, business schools tried to prove themselves relevant to their geographic location with New York City–based business schools connecting closely to financial services industries. In Detroit, the automotive industry beckoned; in Nashville, the music business; and so on. Still the impression that industry-specific education was generally frowned on persisted. In the 1980s when CBS President Arthur Taylor took up the deanship of Fordham's Graduate School of Business, he asked where the media industries program was and was told, "we don't do that, business schools are broader than any given industry." Noting that rule didn't seem to apply to the highly specialized real estate industry, Taylor, a take-charge executive, organized one of the nation's first media and entertainment MBA majors, something that a dozen or so other schools took up a decade later. And introducing this area of concentration also anticipated the changes that subsequently occurred in the industries themselves, establishing the principle, in hockey terms, "where the puck was going to be." And although business schools mainly tout their full-time MBA programs, many have part-time programs, distance learning programs, weekend programs, executive MBAs, and so on, demonstrating that there are various ways to deliver advanced management education. At the same time, the fruits of the Carnegie-Ford mandate, now more than fifty years old, are important to note. The trend toward research took business education to a new plane. True, faculty members turned more theoretical with quite specific research that seemed arcane to some. People who do rigorous, theoretical research hang their work against the context of a total field—and in the process they gain a large-scale understanding of their own work as part of a whole. That has pushed business education away from the tactical skills necessary to do a business deal or develop a marketing plan—still important, but pieces of something larger—toward strategic thinking and planning. Strategic planners think broadly and engage in speculative forecasting, market analysis, and economic realities. Thus, modern MBA programs do not dwell on the future of "the passing show," but take a longer look at social and demographic trends, economic modeling, and other factors that give their students both breadth and depth. The critics aside, business schools haven't really lost their way. They've traveled a road from rudimentary practicality to one whereby intellectual engagement clearly pointed at the future creates a new kind of business professional, one who values knowledge creation and intellectual capital, while necessarily coping with the homely nuances of everyday business life in an increasingly volatile world. The MBA education at its best provides both an anchor of stability and a portal for change.

CHAPTER 4

THE CAREER-RESILIENT LEARNER AND THE MBA

Over the last twenty-five years, average job tenure has been declining for both men and women.[1] The workplace has been transformed by a variety of partially interactive influences: (1) *regulatory change*, which breaks down restrictive barriers and opens formerly protected markets; (2) *new competition*, *often global* in nature, which demands that organizations meet world standards; and (3) *technological change*, which both transmits the impact of other influences more rapidly and over greater distance and alters the nature of work, or introduces whole new lines of business and makes others obsolete. And as we mentioned in Chapter 1, the flattening of hierarchies calls for greater skills across levels of management. What does all this mean to the individual considering an MBA degree, and will that education and training provide the right skill set and strategic capacities to navigate a world awash with profound change? What is needed are flexible professionals who can lead and manage agile business enterprises. People—the right people with the right capabilities—are, of course, key to holistically integrating the changes wrought by technology, regulatory upheaval, globalization, business processes, and operations. Some critics say it is all about crossing boundaries and connecting them whether they are geographic, cultural, disciplinary, or others.

THE CHANGING WORKPLACE

In the United States, the telecommunications industry provides a comprehensive illustration of the impact of these forces on all aspects of activity within that industry and, through the changes that resulted there, on the worldwide economy. The regulatory barriers in telecommunications started to come down in 1980 when the Federal Communications Commission began to allow AT&T to sell "enhanced services," thus implicitly recognizing that technological change had blurred the distinction between data processing (computers) and data transmission (telephone). By 1984, under the Consent Decree, all major markets were deregulated, and the Bell System, which at that time was the largest nonfinancial firm in the world, was split into AT&T and seven regional holding companies (RBOCs). The protections of a regulated monopoly (dating back to the Telecommunications Act of 1934), which had guaranteed markets and assured that all costs were covered, were removed with obvious implications for employment and career opportunities.[2] The lifetime job that had been a hallmark of the old Bell System, with its clearly marked steps of progression up a career ladder, was gone. Imagine the consternation and challenge for employees, whether newcomers or those with long tenures, when faced with this kind of unprecedented and extraordinary change. Unlike some industries that would ultimately experience similar change driven by the information society, AT&T was committed to a highly educated and appropriately trained workforce. This was not true in the various entertainment industries or technology platforms such as cable and broadcasting.

The old system at AT&T called for limited entry points into the management ranks—mainly at the postbaccalaureate level but also some at the postgraduate level for specific degrees (some professional and others highly technical). This included such fields as electrical engineering, operations research, law, economics, and finance. Careers were mapped in collaboration with a strong personnel department: Staff jobs would alternate with line positions; headquarters jobs would alternate with positions in the operating units. A full range of training programs—internal and external—was provided. Educational benefits supported the acquisition of more advanced degrees. Sometimes the firm would partner with a college or university and the degree would be customized and provided on-site. Throughout the process, the implicit assumption was that if the manager did a good job and collaborated in the career development "plan," he or she (though the *she* was to a much lesser extent) would have a job for life and commensurate retirement benefits afterward. The promise had the backing of a firm that throughout the Great Depression of the 1930s had never missed a dividend and never laid off a worker.

Deregulation opened an exciting world of new markets and new opportunities but ended the old world of stable, predictable growth and prosperity. Promises of lifetime jobs could no longer be made. Now the search began for processes that would provide lifetime *employability* for workers at all levels, preferably within the organization but possibly outside as well. The technological change that had rendered the regulation obsolete was facilitating the spread of ideas globally and accelerating the pace of future changes. Further regulatory revisions in telecommunications in the 1990s picked up the pace of change dramatically, as changes again both responded to evolving technology and provided the impetus for further transformations of this industry with implications for the global economy as well.

The Telecommunications Act of 1996 broke down regulatory barriers further and allowed local and long-distance carriers to compete on both services—voice, data, and Internet—and infrastructure. The explosion of interest in the Internet led to massive investments in fiber cable and commensurate expansion in bandwidth fueled by a rising stock market.[3] This was all part of technological convergence, which would involve technological platforms of all kinds connecting telecommunications and television or conventional broadcasting with new digital enterprises. Convergence, as the AT&T example demonstrates, meant technological convergence allowed to blossom because of regulatory convergence wherein there was a coming together of entities and enterprises previously not allowed to "marry." Although a major shakeout rocked the industry following the dot-com implosion in 2000 and beyond, when the dust cleared and many of the formerly hot Internet companies and telephone service providers were no longer in business, a new fiber optic highway remained and "flattened the developed world. It helped to break down global regionalism, create a more seamless global commercial network, and make it simple and almost free to move digitized labor—service jobs and knowledge work—to lower cost countries," as Thomas Friedman wrote in his influential book, *The World Is Flat*.[4] The impact of these forces of change affects all business and is already manifest in the composition of executives at top firms, the nature of their career paths, and the very firms themselves.

THE PROFILE OF TODAY'S EXECUTIVES

In a 2001 study comparing *Fortune* 100 executives with their counterparts in 1980, Peter Capelli and Monika Hamori describe an altered corporate landscape and an executive profile that has changed in multiple dimensions.[5] At the outset, the membership of the *Fortune* 100 is different now, as only 26 percent of the companies on the list in 1980 were still there in 2001. The industry mix shows a decline in manufacturing and a rise in financial services, a shrinkage in food and a rise in retail (see Table 4.1).

Comparing the *Fortune* 100 firms in 2001 with those in 1980, the data suggest that *Fortune* 100 firms in 2001 were older (96 versus 81 years old); were larger (137,000 versus 104,000 employees); and had executives who were younger (52 versus 56 years), better educated (17.26 versus 17.02 years), and included a small but noticeable proportion of women (11 percent versus 0 percent). Particularly striking is that firms have evidently restructured to flatten their hierarchies, leaving more executives in lower tiers. Not surprisingly, executives are less likely to stay a career with the same firm, though whether this movement is at their initiative or at their firm's behest is not clear (see Table 4.2). These data track job turnover and industry churn, both of which have great implications for employees planning their futures. Imagine the advantage to

TABLE 4.1. Changing Composition of *Fortune* 100 Companies (1980–2001)

Turnover at the Top		A Shifting Industry Mix		
Only 26% of companies in the 2001 *Fortune* 100 were also on the 1980 list.		Percentage of *Fortune* 100 executives in each industry		
		Industry	1980	2001
Boeing	Honeywell	Aerospace	7.4	4.2
Caterpillar	IBM	Agriculture	1.1	0
Chevron	International Paper	Automotive	6.9	2.4
Coca-Cola	Johnson & Johnson	Business services	0.6	0.9
Conoco	Lockheed Martin	Chemicals	6.0	3.2
Dow Chemical	Marathon Oil	Communications	3.4	9.1
DuPont	PepsiCo	Computers	2.6	8.9
Exxon Mobil	Philip Morris	Construction	0.6	0
Ford	Phillips Petroleum	Consumer products	0	0.9
General Electric	Procter & Gamble	Electric utilities	5.7	5.4
General Mills	Texaco (became Chevron Texaco in 2001)	Energy	20.4	12.8
General Motors	Union Pacific	Entertainment	0	0.3
Georgia-Pacific	United Technologies	Financial services	0	16.6
		Food	12.0	4.7
		Health care	0.7	5.3
		Insurance	0	5.9
		Manufacturing	17.3	1.1
		Paper	4.5	2.1
		Photography	1.0	0
		Retail	2.6	14.4
		Steel	5.4	0.7
		Transportation	1.7	0
		Wholesale trade	0	1.0

Source: Peter Capelli and Monika Hamori, "The New Road to the Top," *Harvard Business Review, Managing Yourself* (January 2005), p. 26.

anyone who would have been aware of these trends as they were occurring, rather than waiting twenty years to realize what was happening to the workplace and the workforce. Human stories about what happened to these people abound—some understood change, took advantage of it, and nimbly achieved great advantage; others were downsized and forced to seek new careers outside the industries they had known and relied on for stable, dependable lives. This is a cautionary tale and then some about the importance of understanding change, its pace, and its context in a manner that answers a profound question: What does all this mean to me? Although today's executives have somewhat more education than those in 1980, the source and composition of that education are

TABLE 4.2. Corporate Hierarchies Executive Progression (1980 and 2001)

% of Executives Holding Titles	1980	2001
Top-tier	27.8%	22.8%
Middle-tier	65.10%	59.3%
Bottom-tier	7.1%	17.8%
Executive Progression (years)		
Average time first to current job	28.4	24.1
Average time per job	4.3	4.0
Time with current firm	20.6	15.2
Average number of jobs from first to current	5.8	5.0
% spending entire career with same company	53%	45%

Source: Peter Capelli and Monika Hamori, "The New Road to the Top," *Harvard Business Review, Managing Yourself* (January 2005), p. 26.

also different: Fewer executives have undergraduate degrees from Ivy League schools (10 percent versus 14 percent) and more from public schools (48 percent versus 32 percent). There is an even sharper decline in Ivy League degrees among second-degree holders—MBAs and law degrees. The data thus offer a picture of a workplace in rapid change and one in which opportunities are opening to a more diverse group.

Firms are reconfiguring and moving on and off the *Fortune* 100 list rather rapidly. They have flattened their hierarchies and expect their executives to be better educated but do not expect those executives to stay for "life." In this flatter hierarchy, the MBA with generalist skills described in Chapter 3 clearly finds a ready home. Certainly the return for staying another year in any firm is probably less than the return gained through moving to another firm with higher salary and new opportunities. Indeed the message for the ambitious individual who experiences a "pause" in his or her career progression, regardless of the cause, is to move out and up in another firm.

CHANGING CAREER PATHS

The changing face of the *Fortune* 100 is thus both a contributor to and a consequence of changing career paths. The hierarchical career path of the 1960s and 1970s—what Rosabeth Moss Kanter calls the *corpocratic career*, characteristic of predivestiture telecommunications—has largely disappeared. Its successor, the *professional career* path, emphasizes the knowledge, skills, and reputation of the individual and enables that individual to take on greater responsibilities and to grow in stature and impact without ever changing job title. The individual may achieve such progress within one organization, but the success is linked to the individual's own skills and reputation and can be independent of the organization. Such a career thrives in organizations that require particular skills on entry such as an MBA or a law degree and utilizes skills that are easily transferable elsewhere. The responsibility for keeping those skills up to date rests with the individual as well, in contrast to the old bureaucratic career path whereby the organization managed the individual's training needs. At the same time, such responsibility to keep skills up to date is commensurate with the image of a profession. If the skills are transferable to other organizations—and even other industries—it is not only in the individual's interest to build a reputation by building those skills; the benefit from enhancing those skills will always accrue to the individual. Such a career path fosters loyalty to oneself rather than to the organization and makes mobility across firms an easier, more effective way to advance in responsibility and personal reward than staying with any one organization. At the same time, such mobility can exacerbate competitive challenges, as firms lose key international assets while attempting to maintain or grow market share.

THE CAREER-RESILIENT WORKFORCE

Does this mean that corporations will become collections of independent agents to be combined in portfolios of skills and who have no loyalty to organization, only to themselves? Robert and Judith Waterman and Betsy Collard (WWC) suggest in a *Harvard Business Review* article that such a result is neither inevitable nor in the best interests of the firm or manager.[6] These authors observe that even in the new corporate world of uncertain tenure it is in the organization's interests to partner with employees to enhance their employability. This may take the form of fostering an environment friendly to training programs, or it may call for the firm to provide the training itself. By fostering an environment that encourages renewal and enrichment of skills and connections, the firm can maintain a dynamic workforce that is more employable within its own organization as well as elsewhere and can recapture some of the loyalty lost with the passing of the implicit employment contract. WWC call this a *career-resilient workforce* of employers who not only are dedicated to the idea of *continuous learning* but also stand ready to *reinvent themselves* to keep pace with change; who *take responsibility for their own career management*; and last, but not least, who are *committed to the company's success*. This is a radical and dynamic change from the old organization wherein any learning was incremental and certainly not planned or self- conscious. Further, the idea of reinventing oneself in the workplace would have seemed preposterous. Indeed peers would have scoffed at such an idea—if not blocking it altogether.

Key to this concept is the matter of personal responsibility for one's own destiny, rather than waiting for a mentor or "rabbi" to pick an otherwise clueless employee out of the line for promotion. Dedication to the firm—and its success is also crucial to this idea—presumes, sometimes wrongly, that the firm is also committed to the individual. One caveat is that in a business environment in which mergers and acquisitions change the structure of companies, weed out some divisions and units, and generally lead to downsizing and thus displacement, taking care of oneself means being ready for such developments if they come. The notion of a career-resilient learner in the workplace is about refreshing oneself through education and training and being open to opportunity—and also not being naïve about business values and norms that all too often sacrifice individuals on the route to greater profits, market share, or other driving commercial forces. That said, this approach is especially pertinent to the changing contours of an information and service economy.

Instead of a number of "lone wolves" acting always and only in their individual self-interest, the career-resilient organization fosters an environment in which the acquisition of new skills is facilitated and encouraged. Employers comprise loosely configured "wolf packs" that form and reform in response to opportunities inside and out of the firm. The firm thus has the loyalty of the pack and the favorable predisposition of former members. The continual learning assures that employees are at their best and equipped to move the organization forward. The favorable attitude of those who have left for opportunities elsewhere is particularly important in a rapidly changing world in which today's manager may be tomorrow's customer and next week's partner in a new venture.

LIFELONG LEARNING

Harvard Professor John Kotter suggests that the pace of change calls for a commitment to lifelong learning throughout organizations. This is the learning that keeps organizations agile and people employable:

> In a static world, we can learn virtually everything we need to know in life by the time we are fifteen and few of us are called on to provide leadership. In an ever-changing world, we can never learn it all, if we keep growing into our nineties and the development of leadership skills becomes relevant to an ever-increasing number of people. As the rate of change increases, the willingness and ability to keep developing become central to career success for individuals and to economic success for organizations.[7]

What does this new model of a career-resilient employer facilitating the employability of those who work in the organization mean for a prospective MBA student? It is a reminder that the MBA degree, necessary as it now is as a credential for entry to key jobs and to provide the specific skills required to do those jobs at the outset, is only the beginning of a lifetime of learning. The nature of business in this rapidly changing environment is such that lifelong learning will take place in three dimensions: the acquisition of *pure knowledge* (which may occur in training or in degree programs), of *experiential knowledge* (which occurs on the job), and of *personal knowledge* (which occurs through interactions with networks of connected people). How might the MBA program nurture and facilitate these three levels of knowledge? MBA students come with a presumed reservoir of pure knowledge gleaned in undergraduate education and other formal or informal learning. That will be augmented by core courses in the major business disciplines (such as finance, management, and accounting) and the knowledge, both general and specialized, of one's MBA major. Experiential knowledge resides in prior and subsequent work experience, but can be guided systematically by directed field studies and internships that are integrated with the MBA learning experience. Finally, the MBA student does not stop being a person, though it may sometimes seem so with the outrageous demands of school, work, and family life for some, especially part-time MBAs. Interaction in class particularly among part-time students, who may have cutting-edge knowledge of emerging trends in their businesses or sectors, is an important way to share that experiential knowledge. Networking in MBA programs, involvement with peers in joint work projects and class assignments, as well as MBA student organizations are all laboratories for personal knowledge—and personal growth.

BUILDING A PORTFOLIO

All learning is, of course, a form of investment in human capital. The prospective MBA student should begin shaping a personal human capital portfolio that facilitates lifelong investments in pure knowledge, experience, and networks. The broad-based knowledge that forms an interdisciplinary core in most MBA programs provides a good foundation for future learning. This portfolio will inform future career growth and thus replaces the corpocratic career plan. The portfolio should be individual and personal—reflecting values and goals, strengths and weaknesses, likes and dislikes, past investments and future plans—but it should also be agile and ambitious—adaptable to changing conditions and emerging opportunities. One's portfolio—created, developed, and augmented in an MBA program—can be crucial to future employment and promotions. It can be likened to an investment portfolio, but is an investment in oneself invoking

- *specialized and general knowledge* gleaned in the MBA program, drawn from specific courses and programs of study, whether in management, marketing, or another discipline;
- integrative academic experiences such as an emphasis on international or global business, e-business, or entrepreneurship;
- *work experience in business* and *other fields*, and internships all add to the mix; as do

• *personal capabilities and social skills* as demonstrated by organizational leadership and other factors.

The pervasive pressure of global competition—the need to meet or exceed global standards in order to compete anywhere—provides an additional impetus for lifelong learning as a means to anticipate the opportunities and pressures of a rapidly changing business environment. Rosabeth Moss Kanter says that those who succeed in this new global competition will be what she calls "cosmopolitans," rich in *concepts*—the best and latest knowledge and ideas; *competence*—the ability to operate at the highest standards anyplace anywhere; and *connections*—the best relationships, which provide access to the resources of other people and organizations around the world.[8] The cosmopolitan not only is the product of lifelong learning but also depends on continuous learning to maintain that position. The three characteristics are direct manifestations of the three streams of lifelong learning.

THE ENTREPRENEURIAL WORLD

Whether today's manager has the good fortune to be in an enlightened career-resilient environment or is creating his or her own such state of continuous learning and renewal, to nurture his or her human capital portfolio, this focus also changes the nature of the career path from the purely professional to something much more entrepreneurial.

The traditional meaning of an entrepreneur was a small business owner. In today's more dynamic and complex corporate world, there is a more broadly defined entrepreneur who thrives in larger organizations with a career in which "growth occurs through the creation of new value or organizational capacity."[9] The purely professional manager succeeds in the acquisition of knowledge and reputation; the manager who is also entrepreneurial applies that knowledge and reputation to succeed through growth or creation. Learning and leadership provide the fuel to move along either path. Neither path is certain. The individual manager bears the risk and reaps the rewards of the career that blends professional and entrepreneurial aspects—whether it is in one organization or in many.

> Overall, the power of the position is giving way to the power of the person.[10]

With this shift in power comes a responsibility for leadership that is based on personal characteristics rather than organizational rank.

What are the personal characteristics of the individual who thrives in this role? A recent study of entrepreneurs and leaders suggested that there is substantial overlap in observed characteristics in the two roles[11] (see Table 4.3).

TABLE 4.3. Common Characteristics of Entrepreneurs and Leaders (as measured by literature citations)

	Entrepreneur	Leader
Able to motivate	3	15
Achievement oriented	15	7
Creative	10	5
Flexible	2	6
Patient	1	3
Persistent	3	2
Risk taker	24	6
Visionary	6	29

Source: Lloyd W. Fernald, Jr., George T. Solomon, and Ayman Tarabishy, "A New Paradigm: Entrepreneurial Leadership," *Southern Business Review* (spring 2005), p. 7.

The importance of the characteristic *achievement oriented* in both entrepreneurs and leaders is particularly informative, as it suggests the potential and power of the MBA degree for this world. The characteristic in entrepreneurs suggests the significance of being able to follow through from a creative idea to a tangible result. The MBA student is also challenged to put knowledge in practice in an organization to achieve results. With a commitment to lifelong learning and a predilection for achievement-oriented results, the MBA is well positioned for the entrepreneurial and changing world demands. It is a world that is at the same time more complex and more individual than ever before. The competition is global: what Thomas Friedman calls *globalization 3.0*—the globalization of people, the next stage of development of globalization of companies and of countries.[12] The MBA who has taken charge of his or own human capital portfolio has committed to lifelong learning and entrepreneurial leadership and is ready to take on these challenges.

Not all business schools are on equal footing when it comes to accommodating the career-resilient learner preparing for a career-resilient organization. That may be a factor to consider in seeking out an MBA program. Although it is possible to acquire knowledge, experience, and self-knowledge by being an active and demanding learner in any of the hundreds of MBA programs recruiting students, some are more flexible than others in allowing students to create a portfolio in the context of the curriculum offered. Some schools have a broad range of offerings; some are more limited in their focus. Some encourage the kind of rigorous drilling down on a subject that comes only with hard thought in a research-friendly environment wheras others are more interested in synthesis of knowledge across several fields or traditions. The need to be discerning consumers of MBA programs and to take personal responsibility for selecting the best possible choice open to them is covered in succeeding chapters.

CHAPTER 5

QUALITY CONTROL—GRADING MBA PROGRAMS

When individuals acknowledge the importance of the MBA degree as both a credential for entry into a managerial career and an essential framework to begin building their personal portfolios of skills and experiences, they then quickly want to identify the school best suited to commence that journey. The natural inclination is to go to one of the many magazines or guidebooks that provide annual rankings of large numbers of the more well-known MBA programs—in much the same way as one would seek a consumer guide to inform the purchase of a new automobile, television, or digital camera. And what a choice there is in the business or reference section of major bookstores. All of the major magazines that do rankings have produced attractively packaged books. Also available are other guides on the nature and purpose of MBA programs, books that offer high praise, and others that doubt the value of the MBA for individuals or society. Although it can be argued that there is value in pursuing all of these books—those that seem substantial and others that are instantly recognized as shallow—it is clear that many of them are self-serving in the sense that they trumpet the MBA programs that have scored highest in a given ranking, whether that is *BusinessWeek* or *U.S. News & World Report*, to name just two. If anything, there is too much information, but much of it is quite repetitive and redundant.

As with other book selections, what is needed is a thinking person's approach to information. Some books have a considerable shelf life and are therefore often out of date, though they can be supplemented by recent rankings in the magazine that produced them or that periodical's web site. This is where the prospective MBA student first needs to be discerning, questioning the source and/or authors of the material, the scope and range of what is offered, and whether any of the guides have acknowledged or commented on the considerable critical literature that has ranged from discerning skepticism of a given ranking or guide to others that have dismissed the rankings altogether. None are without a perspective, a point of view, assumptions about what constitutes a quality program, and other factors. Before purchasing an armload of these books and magazine guides, it makes sense to examine them carefully. We will address the origin and specifics of the rankings and the information the principal rankings provide in the next chapter. First, however, valuable insight can be gained by considering how business schools assess themselves in general and the quality and relevance of each of their programs in particular.

EVOLUTION OF ACCREDITATION STANDARDS

Chapter 1 noted that in the early days of business education, no specific guidelines or standards for master's programs in business existed, only a stated minimum number of hours of study in order to qualify for a graduate degree. This left enormous leeway for a given school to tailor its program to local conditions and needs. There was no model MBA curriculum as we know it today and the various business disciplines had only begun to evolve. Add to that the presumption that a B-school was a de facto trade school, though with a graduate degree program aimed at immediate on-the-job placement. As we noted earlier, some schools tilted their programs toward local industries—steel in Pittsburgh, automotive in Detroit, banking in New York, and so forth. Beginning in 1958, the AACSB, the accrediting body for business schools in the United States, began to issue standards for master's programs, specifying first the minimum length of time for course work and the minimum subjects to be covered. As we have already noted, these rather timid standards were truly minimal: They gave no directions on prerequisites, no suggestions on a minimum core, and no guidelines for specific courses.[1]

Gradually, more complex and comprehensive standards were issued, addressing also the qualifications of faculty teaching in the programs, the qualifications of students admitted to the programs, as well as more detailed and rigorous curricular requirements. For example, the standards called for minimum credit hours in specific core areas as well as minimum hours beyond the core. The standards also recognized the changing nature of managerial work by calling for the achievement of basic skills in oral and written communications, quantitative analysis, and computers, either through courses or through prior studies or experiences. As for teachers, the accrediting body set rigorous requirements including a doctoral degree in the discipline being taught, actual experience in business, and a record of research and publication worthy of a graduate school. At first the research component was controversial, with much debate about the value of "academic research" to business and industry, but gradually this changed and business came to value systematic study of its operations and those of its competitors. Lessons could be learned both within and across industries, and case studies began to focus attention on decision making in the business environment, something that MBAs were expected to master while integrating information from a variety of interdisciplinary sources.

Although the standards became more demanding, they continued to apply one set of guidelines to all MBA programs, except for the allowance for a continuing distinction between one-year programs allowable for undergraduate business majors and two-year programs for all other baccalaureates. MBA students were expected to achieve mastery of a core "common body of knowledge," experience an international dimension in their curriculum, and pursue studies beyond this core that would be "broad in nature and aimed at general competence for overall management."[2] With the proliferation of programs (from e-business to supply chain management/transportation/logistics, from entrepreneurship to human resource management) and the rapid growth in degrees awarded, a rich variety of programs now transcends the format and venues of the general MBA. Recent data show schools offering MBA programs in nearly thirty different fields (see Table 5.1). Clearly one size no longer fits all MBA programs. Indeed, this reflects the complexity of business itself—the process of commercialism, the generic disciplines required to master strategy and operations generally, and the nuanced conditions that affect different industries in different ways.

AACSB,[3] recognizing that the growing variety of MBA programs responds to a global business world of increasing complexity, has reoriented its standards to promote excellence in business education within flexible formats. Although it can be argued that business has had a worldy, international style since the first sailing ships crossed the oceans, in modern times, possibly because of that early experience, business leaders were far ahead of others in government or academe in understanding globalization. For example, Walter Wriston, the longtime head of Citicorp, wrote persuasively about porous borders and the information revolution from the perspective of a banker, long before other commentators began to use these terms. "Information technology," he said in 1993, "has forever changed the way the world works. It has changed the way wealth is created. It has changed the way the world concept of sovereignty as borders become totally porous."[4] This, quite naturally, would require business schools to become sensitive to such dramatic displacement.

In 1991, AACSB moved in a new direction to assure the quality of business education and its continuing improvement. Rather than impose a rigid set of numerical standards, AACSB called on business schools to define their mission and vision clearly, to assess the consistency of their activities and the inputs into those activities with that mission, and to set specific processes whereby those activities will be continually reevaluated and improved. AACSB then engaged in its own reevaluation and continuous improvement and approved new accreditation standards in 2003. These continue the mission-linked spirit of the 1991 standards but allow for greater variety of approach and implementation and introduce more detailed means to validate effectiveness and assure the achievement of learning goals. For example, the 1991 standards were rather specific with respect to the number of credit hours and the distribution by disciplinary area:

TABLE 5.1. MBA Degree Programs (N=343) (2002–2003)

Field/Discipline	Number of Schools	Percent of Schools
Accounting	108	31.5
Behavioral science/organizational behavior	9	2.6
Business communication	3	0.9
Business education	4	1.2
Business ethics	5	1.5
Business law/legal environment	18	5.2
Computer information systems (CIS)/ management information systems (MIS)	116	33.8
E-business (includes e-commerce)	55	16.0
Economics/managerial economics	31	9.0
Entrepreneurship/small business administration	59	17.2
Finance/includes banking)	139	40.5
General business	238	69.4
Health services/hospital administration	59	17.2
Hotel/restaurant/tourism	5	1.5
Human resource management (includes personnel and industrial/labor relations)	55	16.0
Insurance	5	1.5
International business	113	32.9
Management	122	35.6
Marketing	129	37.6
Operations research	9	2.6
Production/operations management	43	12.5
Public administration	9	2.6
Quantitative methods	10	2.9
Real estate	17	5.0
Statistics	2	0.6
Strategic management	23	6.7
Supply chain management/transportation/logistics	26	7.6
Taxation	11	3.2
Other	92	26.8
	343	

Source: AACSB International. Knowledge Services. St. Louis, MO: AACSB International, 2004.

The MBA curriculum normally should require a minimum of 30 semesters hours beyond the MBA core areas [financial reporting, analysis and markets; domestic and global economic environments of organizations; creation and distribution of goods and services, and human behavior in organizations]. . . . Basic skills in written and oral communication, quantitative analysis, and computer usage, should be achieved either by prior experience and education, or as part of the MBA curriculum. . . .

> Each school's curriculum planning process should set additional requirements consistent with its mission and goals. The program also should allow adequate elective material for reasonable breadth. . . . The curriculum should integrate the core areas and apply cross-functional approaches to organizational issues.[5]

Although the 2003 standards continue to address the broad outlines of the MBA curriculum in some detail, the emphasis is quite different from the 1991 standards. The 2003 standards are more outcome oriented, suggesting that the outcomes the school seeks to achieve should flow from its mission. Moreover, the 2003 standards make a significant departure from the past practice of accreditation reviews every decade to a system of continuous accreditation maintenance achieved through annual reports of critical data, annual summaries of strategic management activities, and five-year reviews of strategic progress.

> Participation in a master's level degree program presupposes the base of general knowledge and skills appropriate to an undergraduate degree. Learning at the master's level is developed in a more integrative, interdisciplinary fashion than undergraduate education. The capacities developed through the knowledge and skills of a general master's level program are:
>
> - Capacity to lead in organizational situations.
> - Capacity to apply knowledge in new and unfamiliar circumstances through a conceptual understanding of relevant disciplines.
> - Capacity to adapt and innovate to solve problems, to cope with unforeseen events, and to manage in unpredictable environments.
>
> Adapting expectations to the school's mission and cultural circumstances, the school specifies learning goals and demonstrates master's level achievement of learning goals for key management-specific knowledge and skills in each master's level general management program.[6]

This new orientation in the standards for accrediting business degree programs is a transformational change from the rigid guidelines of the past. It is simultaneously more flexible and more rigorous. The overarching purpose of the accreditation guidelines remains the same: to set "demanding but realistic thresholds" that will guide improvements in educational programs for the "preparation of students to enter useful professional, societal, and personal lives."[7] For the prospective MBA student who is considering a number of possible MBA programs to enter, an examination of the specific details that enter into the AACSB accreditation standards and procedures provides a useful perspective to evaluate alternative programs of study in business both in the United States and abroad.

WHAT THE STANDARDS SAY ABOUT THE PROGRAMS

At the outset, one should note that AACSB standards for accreditation pertain to degree programs only. This distinction is an important reminder to the prospective MBA student with a growing number of nondegree executive MBA programs and training programs from nonacademic sources that may seem an attractive option in building a personal portfolio. At the same time, they have their own shortcomings. Such programs, though valuable learning experiences, may have limited recognition whereas academic degrees are universally acknowledged credentials that enhance the individual's professional reputation. An advanced degree is a permanent addition to the individual's personal portfolio and a potential foundation for the addition of further advanced degrees (for example, a complementary specialized MS degree, a doctorate, etc.). Moreover, human nature suggests that students approach their studies differently when their work is evaluated and graded, as it is in a degree program. Thus the individual student can anticipate achieving a different level of learning both on his or her own and through interaction with other students.

Although the carefully neutral and even bureaucratic language of the accrediting body does not conjure up instantly vivid images, it is all about standard setting and rigorous application of specific standards involving the nature and quality of the MBA program, the content of its curriculum, the range and experience of its faculty, the quality of its students, and other factors that truly distinguish one school from another. Remember that accreditation is seen as proof that a school meets basic standards, mostly procedural and less often a deeply determined assessment of quality itself. After all, there are some 425 accredited schools of business in the United States (or less than one-third of the total number of schools) and another 69 internationally (or 15 percent of the total). By no means are all equal or top-tier programs, but each does guarantee its students that they meet basic comprehensive requirements that allow them to claim that they have been assessed by an expert panel, which has given its seal of approval.

Within any academic institution, there may be many campuses and units of control. An assortment of business degree programs of varying quality may be available within one academic institution. For example, a school like the University of Pennsylvania's Wharton School offers a wide array of undergraduate and graduate programs in business including baccalaureate, master's, and doctoral programs as well as a variety of dual-degree programs in combination with other schools within the university (for example, MBA/JD, MBA/MD, MBA/DMD, MBA/VMD). Columbia University's Business School, in contrast, is strictly a graduate program offering MBAs and doctoral degrees. AACSB recognizes the possibility of such variety and calls for all programs under the same administrative control on all campuses to be accredited simultaneously. In this way, AACSB assures that programs that seem the same really are, as they meet all the same standards that influence program value.

Moreover, the standards call for brochures, catalogs, and so forth to distinguish these programs clearly from any others that might exist in the institution to avoid confusion among potential applicants.

While the new standards recognize the possibility of many missions and visions for management business education, they also require that all accredited programs must address the influence of personal diversity within their programs and accommodate diverse viewpoints among their participants. This means that persons of varying racial and ethnic backgrounds are welcome in the program as are both men and women. Diversity may be interpreted differently in different places. For example, in several California schools that draw heavy Asian American populations, those assessing diversity might also consider the degree to which African Americans and Hispanic populations are courted and represented—thus the notion of inclusiveness. It is believed that a diverse student body "looks more like the world" and thus provides all students with exposure to cultural, ethnic, and other differences, which are essential to anyone planning to do business in an increasingly diverse and global world.

Similarly, the standards require that all programs "must establish expectations for ethical behavior by administrators, faculty, and students." This latter requirement does not suggest a crisis in ethical behavior that extends from the front page of the *Wall Street Journal*. Rather it demonstrates an appreciation that in a complex and diverse world, ethical standards of behavior are not always clearly defined and may be in conflict due to opposing cultural norms. To engage in critical discussions of behavior in the workplace from an ethical perspective without complying with agreed-upon standards of ethical behavior in the academic institution invites accusations of hypocrisy. Indeed the agreed-upon standard of ethical behavior is one of the defining elements of any profession. The 2003 standards not only call for "learning experiences" in the area of "ethical and legal responsibilities in organizations and society" but also require that individual faculty and students "operate with integrity in their dealings" with one another and with their own peers.[8] Thus attention to ethical issues reinforces the view of management as a profession and affirms a basic value of AACSB International to advance management as a profession. Jeffrey E. Garten, former dean of the Yale School of Management, gives B-schools only a C+ in ethics, noting that "MBA programs have come a long way—but not nearly far enough." Schools, he says, need to do much more to help students make moral choices, but admits that case studies on topics such as Merck & Company's handling of Vioxx are debated by students in various courses. The importance of ethical training across the program is vital because

> The decisions made by business leaders have a tremendous impact on shareholders, employees, customers, suppliers, communities, and the broader economy. So enhancing their ethical education at a formative stage is arguably the highest priority that business schools should have. Although many are working at it, none has yet fully risen to that challenge.[9]

The final universal requirement to be eligible for AACSB accreditation appears simplistic but should, in fact, command the prospective student's particular attention. This is the requirement that most of the programs under review *must have produced graduates within the last two years*. The program that loses most of its students through attrition should certainly give any prospective student pause. And the brand-new program that does not yet have a track record calls for an in-depth look at all the other components that comprise the accreditation standards.

The remaining standards fall into three categories:

- strategic management standards;
- participants' standards; and
- assurance of learning standards.

These standards not only address the complexity of modern business schools but also accommodate a growing variety of orientations and goals. Again, the broad categories of standards provide a useful framework for the prospective student to investigate the particular program and assess its compatibility with personal goals and aspirations.

The strategic management standards provide the driving element for all aspects of a business program and define the thematic point on which programs differ. They call for each school to define its mission: a mission that is appropriate for business education, reflects the viewpoints of various stakeholders, is consistent with the school's financial strategies, is in harmony with the mission of the larger institution of which the business school is a part, and is periodically reviewed and revised as appropriate. The mission statement informs all activities. Although it articulates aspirations, it must also be achievable. The mission statement thus provides a clear, overarching expression of what the school is and what it strives to be. Just as the business school's mission statement must be in harmony with that of the larger university, prospective students should consider whether their personal mission statements are compatible with the school's mission statement.

The participants' standards recognize that a variety of individuals interact in realizing the mission of the school: students, staff, and faculty members. These standards address the many dimensions of these relationships. For students, these include the admissions requirements for the program, the standards for their retention in the program, the level of staff support for students, and the academic obligations for those participating in the program. Every prospective student should ask these basic questions as well: What are the admissions requirements for the programs I am considering? Will I be admitted? Is my admission a "reach"? Am I overqualified for this program? Recognizing that I will learn from fellow students as well as from faculty, will I be compatible with these students? Am I in a similar position in my career path? Will I learn from them? Will there be the staff support I need and want? What opportunities will

I have for internships or field studies? What are the placement results for recent graduating classes in terms of starting packages, long-term career prospects, and length of time to secure a job? Can I make the academic commitment this program requires of me? This last question is a particularly complex one for the part-time student to answer.

The participants' standards for faculty are commensurately encompassing. They address whether the faculty are sufficient in numbers and qualifications to deliver the program the mission statement promises, whether the faculty are individually appropriate to their general academic mission as well as the specific mission of the particular school and the learning goals of the degree programs, and whether sufficient numbers of faculty are engaged in the activities of the school over and above their commitment to teaching. The standards address not only whether the school provides the appropriate support to manage faculty needs, activities, progression, and renewal over a career but also whether the processes to do so are well defined and communicated. Again these issues should engage the prospective student's attention in great depth. The quality of any curriculum is ultimately dependent on the quality of the faculty who deliver it. Who are the faculty in the school a student is considering? Are they up to date in their discipline? Do they command the respect of their peers? Are their qualifications and standards consistent with the mission of the school? Are they well connected in the business world? Are they accessible to students? Are they engaged in the life of the program? Does the school support their needs and interests? Does it foster faculty's professional growth? What value does the school place on good teaching?

The assurance of learning standards addresses the ways in which the school's mission is manifest through the actions of the faculty and is realized in the students. These standards are outcome oriented. The articulation of assurance of learning standards is thus a reminder that every school's mission has an educational goal. In a very real way, these standards provide students with a bottom-line expectation from the degree program. Indeed, "definition of the learning goals is a key element in how the school defines itself."[10]

However, there is a qualifier for the prospective student, as the assurance of learning standards sets the specific selection and curricular requirements of the particular degree program as a reflection of the school's mission and sets standards for the delivery of the curricula as well as the means by which the achievement of learning goals that are linked back to the school's mission is assessed. Thus, for example, a specified level of technical or linguistic expertise may be assured in all students in the degree program through selection criteria for admission or through particular course requirements. If the standard is met through selection criteria, the end result is achieved by screening out prospective students who do not already have the particular expertise. If, in contrast, the standard is met through particular course requirements, then the achievement of that expertise is an end result of the program. These standards no longer require "one size to fit all" but allow for a variety of graduate management programs designed to realize specific missions while meeting "demanding but realistic thresholds" and to deliver on specific learning goals.

The prospective MBA student has the opportunity and the responsibility to learn about the programs that are available, recognizing the rich diversity in orientation and focus that have blossomed in business education. Selecting the best MBA program begins with identifying the program with a mission that is *consonant* with the student's own personal mission, one that sets learning goals that challenge the student to achieve new levels of understanding; attracts students of comparable qualifications, interests, and values; provides the faculty and staff support necessary to achieve these goals; and is provided in a format that is compatible with the student's needs and opportunities.

CHAPTER 6

THE RANKINGS—CONSUMER GUIDANCE OR MAGAZINE MISCHIEF?

When potential MBA candidates begin their search for the best business school they are naturally drawn to "the rankings," published regularly by commercial business magazines and newspapers. In a society obsessed with metrics—usually involving quantitative ratings that confer superlatives on all kinds of products and activities from the best restaurants to the best cities—it is not surprising that higher education would also be included. As Nicholas Thompson of the New America Foundation put it: "America is fascinated with competitive lists, and by combining that obsession with higher education's status-defining role, the assorted ranking systems have become a highly lucrative and influential industry."[1]

Anyone perusing business books at Barnes & Noble and other bookstores or searching for top business schools on the Web will find an avalanche of information that purports to provide critical assessments relevant for one of the most important decisions a person interested in a business career can make. Using different measures and drawing on different sources, *BusinessWeek*, *U.S. News & World Report*, *Forbes*, the *Financial Times*, and the *Wall Street Journal*, among others, offer their judgments on the nation's and world's leading business schools. They do so with an air of scientific precision, sometimes suggesting that one great university's business school ranked fifth last year has just dropped to eighth, being eclipsed by the thinnest of mathematical margins. Such pronouncements immediately raise questions about the reliability of this information, whether it should be taken as gospel or examined quite critically. Whereas some surveys tend to shuffle their rankings mostly between and among the same group of schools from year to year, others diverge wildly, thus raising questions about what, if anything, the rankings mean and whether anyone should pay serious attention to them.

To be sure, B-school rankings are controversial and the subject of much debate. Their advocates maintain that they provide superb consumer guidance for potential students and also for employers, whereas their detractors say they are little more than media mischief concocted to sell magazines, hardly the kind of consumer information that ought to influence anyone. Of course, people do pay attention to the rankings. First and foremost, the magazines and papers that produce them wax eloquently about their value in promotional material that helps make the issues in which they appear newsstand best sellers. Business schools that do well in the rankings enthusiastically post them on their web sites and include them in recruitment advertising. Business school deans, faculty members, and students generally accept such terms as *top-tier institutions* and *top-twenty schools*, thus giving credence to the idea of hard and fast ratings even when their own institutions are not among those so designated. Identifying just which schools fit what category—something that is spoken about with great certainty by many academics—is akin to Justice Potter Stewart's definition of obscenity: "I know it when I see it." Even the respected body that accredits B-schools urges schools up for review to prepare lists of "aspirant" schools. These are often based on the rankings so schools on the make can advance their status and reputation in a self-conscious exercise, drawing on what they perceive to be the leading schools in the nation and the world. As Paul Danos of the Amos Tuck School of Business at Dartmouth put it, "rankings cannot be ignored because so many people read them and, for schools that do poorly, there is no easy way to contradict them"[2] because of the high cost of advertising and public relations on a mass scale. He adds, "Rankings do have an impact on important constituents who may be correlated with the strength of the school's brand, so that constituents of those with very strong brands are not as swayed by rankings as those with relatively weaker brands."[3]

REMEMBER WHY MAGAZINES DO THIS

There is no lack of honor in resourceful magazines creating their own ranking systems for business schools, yet they do so for economic gain, not necessarily as a noble service to higher education, prospective MBA students, or the public, although they may secondarily have that effect. The B-school rankings do say something about how important the business media think business schools are as an educational growth industry. If B-schools represented a dwindling niche market, the expansion of magazine rankings would simply not be happening. The rankings underscore the fact that fully one-fourth of all master's degrees in the United States are granted by schools of business. Indeed, so successful are the MBA rankings, as witnessed by seemingly endless articles across the business media, that *Forbes* and *BusinessWeek* are initiating undergraduate business school rankings in 2006, no doubt for special issues of those magazines.

In recent years, the rankings have gotten more complex as they've probed the quality of specific business fields and disciplines at the ranked schools—finance and marketing, for example—and a program's emphasis and orientation—such as global business. The MBA rankings are part of an established tradition of comparative ratings in higher education generally that ranges from those rankings that offer guidance on colleges and universities with the best academic quality to those that list the best buys in education to others designated as the best party schools. *Esquire* pioneered a back-to-college edition each fall, with nuggets about the best of this and that, among its top schools that even whimsically listing the sexiest college professors. For years there have been lists of the best party schools and other less than serious consumer information. This *Esquire* issue was in reality a parody of various guides to colleges and universities, most of them inventories of comparative facts and subjective impressions about what students would find on respective campuses. Whereas it is very difficult to gauge the overall quality of colleges and universities generally, given their great number, the many fields they cover, and the way their graduates scatter, MBA programs are much less complicated. Most people who enroll in MBA programs do so because they want to work in business, so one important measure of their success is determined by tracking the entry-level job placement of recent graduates. Obviously, longer-term career patterns are important too—and increasingly fields other than business (the nonprofit world, for example) value MBAs and hire them for assignments in organizations that are not businesses per se, but benefit from business discipline and management competency. The stakeholders for MBA programs are fewer than those for undergraduate education in the liberal arts and sciences or even than master's programs in the social sciences, humanities, or communications, for example.

THE PROBLEM WITH THE RANKINGS

Critics of educational rankings complain that they are little more than opinion surveys from a universe of respondents, none of whom is omnicompetent and fully qualified to make informed judgments. The argument made by many is that no one is knowledgeable of all the schools that might potentially be included in a survey. And it has been noted that the personal experience that any of the respondents have with the institutions they are assessing—business school deans, professors, or recruiters—is limited. No one can claim familiarity with all the schools. And, in most surveys, only 100 or so of the nearly 1,000 schools are actually included. On top of that is the reality that less than 2 percent of those applying to business schools can hope to be accepted in a top-twenty school, thus raising the concern that rankings are pernicious because they ignore schools not included and thus foster unnecessary disillusionment among the vast majority of students applying to B-schools. Of course, the fact that the top-twenty schools are part of a migrating group that keeps changing distorts the meaning of the chosen 2 percent. In considering the importance and value of rankings, it is useful to know more about them and why they warrant a critical review by anyone considering them for consumer guidance. Here, the principle of *caveat emptor*—let the buyer beware—applies.

THE RISE OF THE RANKINGS

Courtney Brown, a legendary dean credited with transforming Columbia Business School from an also-ran to a leader in its field, once remarked that when he visited business schools, the faculty, students, and alumni would tell him "precisely where they stood among other business schools."[4] They'd remark, "We're one of the top five schools." At the time there were no widely publicized or generally accepted rankings. The only problem, Dean Brown added with amusement, was "that there were always 50 schools in the top ten!"[5] Business schools usually resisted rankings and some refused to cooperate, perhaps knowing that any metric would be controversial—and beyond their control. There are no universally accepted criteria for educational quality that could be reliably measured because different stakeholders have different ideas about what they think is important. To that one can add the problem that methods of data collection and analysis are rarely transparent enough for anyone to assess the findings independently. A recruiter might have different ideas about what a business school should do than would the CEO of a company, one being more interested in entry-level skills, the other in long-term leadership potential. Business schools' deans often had one view, contentious faculty members another, and students, another yet.

Although various rankings came and went over the years, none of them "became popular or generally accepted,"[6] according to management specialist Martin Schatz, writing in *Management Research News* in 1993. Looking back, he recalled that the bellwether year was 1977, when three major studies appeared, those being the Carter Report, the Ladd and Lipset Survey, and a survey in the now-defunct *MBA Magazine*. The first study evaluated schools on the basis of faculty publications in leading academic and scholarly journals. Schools whose faculty had impressive publication records, measured by frequency of appearance in top-ranked journals, got high rankings; those without a sterling publication record suffered. Everett Ladd and Seymour Martin Lipset, both noted social scientists, surveyed business school faculty members probing their views about which schools had the best programs. *MBA Magazine* asked business school deans to vote on the top schools. The results were three different measures and three mostly different results, though the more famous the university, the more likely was its business school to be highly ranked. There was much skepticism about the surveys, as one might imagine, because they had more to do with institutional prestige and branding than with any indicator of specific program quality. These were academic evaluations only. The voices of alumni, students, and employers, for example, were not heard. That would change in future surveys.

In the 1980s weekly newsmagazines worried about their survival amidst predictions that they were doomed to extinction. With challenges from electronic media (radio, TV, cable, and satellite) and soon from online and digital media, they fretted that their style of delayed, summary news would soon go out of fashion. As a result, the three leading news magazines—*Time*, *Newsweek*, and *U.S. News & World Report*—began to craft cover stories that analyzed and projected important social trends from the future of business to race relations. *U.S. News & World Report*, always the laggard among its peers, tilted its emphasis toward business (instead of general news) and began a series of college and university rankings. Among these widely publicized assessments was an annual look at professional schools, including MBA programs.

In 1988, *BusinessWeek*, the leading business magazine, launched its own MBA rankings. One of the authors of this book was asked about that effort by a *BusinessWeek* editor, and explained why such ventures had previously failed. "If you are going to be taken seriously," the editor was told, "you've got to have a flawless method of data collection and analysis, one that will warrant anyone's confidence. But I really wonder what you guys know about ranking business schools anyway—you aren't educators, nor are you qualified to do this kind of research." Now, more than a quarter century later, *BusinessWee*k gets a thumbs up for its ingenuity, the author a thumbs down for naivety. Driven by a desire to sell magazines, *BusinessWeek* and others that followed engaged in extensive promotion and advertising of their B-school rankings. And they had a chorus of self-appointed cheerleaders assisting their effort. Instead of turning up their collective noses at less than scientific rankings, the B-schools, their parent universities, and many of their constituents became enthusiastic promoters of these dubious measures. Schools that scored well hailed the rankings as evidence that their MBA programs were, in fact, leaders in the field. Even while pooh-poohing the survey, the schools understandably used the rankings as evidence of excellence from an unbiased outside source. Some of those that did poorly took their low marks to heart and made changes in their programs with the hope of a more favorable report the next time around. As one dean who asked not to be identified put it, "I don't think much of surveys of this kind, but if it makes us look good, who am I to complain? The only thing I worry about it whether we'll make the grade next year." John Byrne, a senior writer at *BusinessWeek* who introduced that magazine's first comprehensive rankings in 1988, was blunt about his objectives in a 2001 interview. As he told *Graduate Management News*:

> So what I thought is, one thing that a ranking would actually do is create a market where none had existed. Create a market where schools could be *rewarded* and *punished* for failing to be responsive to their two primary constituents: the students and the corporations.[7]

At the same time, other rankings often deny any intent to influence the behavior of business schools, saying, in effect, "we just tote up the scores and let the chips fall where they may." Byrne's unvarnished statement about reward and punishment suggests far more than a reportorial function by the magazines, but rather one of de facto advocate for students, alumni, recruiters, and other constituents of business schools. And, as we have noted, B-schools do pay heed and do make changes for better or worse based on their success or failure in the rankings, whose main function is to sell magazines.

EARLY PROBLEMS IDENTIFIED

As other business news media initiated their own rankings, the previously mentioned Martin Schatz, who headed two business schools, worried about two self-contradictory problems. First, he said, "people foolishly tend to believe that there is significance to the order in which the schools appear," and second, "the rankings have a tendency to become self-fulfilling prophecies."[8] His concern: that there will "be the creation of an elite list of schools through the redirection of qualified students and faculty to these institutions, followed closely by recruiters from the corporate world. It won't matter what, or how well the schools teach." And he might have added that in reality *an MBA program is an MBA program*, with certain guarantees about the nature of the curriculum, the basic requirements for faculty selection, and other factors ranging from class size to grading, and job placement, thanks to a rigorous accreditation process. Of course, differences exist between and among schools, ranging from their relative wealth (and endowment assets) to geographic location, student GMAT (graduate management admission test) scores, relations with the business community, and many others. Business schools benefit from the reputation or notoriety of their parent universities or colleges. Some are older and more esteemed than others. Some have instant prestige, such as the Ivy League institutions, others boast national reputations, and still others are recognized leaders in their state or region. It is unlikely that a well-regarded business school in an obscure university would ever crack the top ten of any of the surveys, though a nonexistent business school at a famous university was mistakenly ranked highly in the first *BusinessWeek* survey.

Several early critiques of *BusinessWeek*'s rankings objected to its reliance on the views of B-school students and business executives, arguing that neither was really very knowledgeable. Students rarely know about more than a few schools they've investigated or where they have friends; and business executives have little knowledge of how business schools work, beyond their personal experience with a handful of institutions. As the dean of the University of Chicago Law School, Richard A. Epstein, put it in sizing up law school rankings, "What you don't know, you can't rate."[9] Unfortunately that admonition does not deter the "judges" who regularly assess schools they truly don't have knowledge about. Add to this the fact that virtually all the rankings, as already noted, draw from a limited sample of schools, leaving out many notable institutions. Surveys based on national data are also flawed because a large but undistinguished school with thousands of alumni can easily outdistance a small, more distinguished school with fewer graduates. Add to rational complaints about rankings, those that are more emotional. Schools that don't get ranked squawk as do those whose rank slips from year to year on the basis of statistically insignificant differences.

Any "ranking" of the rankings requires a clear notion of what they are—and are not—how they differ, and the inevitable blurring of objective criteria with those that are more subjective. The rankings are truly a hybrid of verifiable factual differences (in terms of numbers, budgets, etc.) and those based on subjective judgments and opinions by various categories of individuals designated as "judges" in the survey. More important than the fine distinctions between and among the rankings—people can make of them what they want and will—is the more troubling nature of how the rankings are understood and used. To a large extent they are prestige surveys based on the attitudes and opinions of individuals whose collective view becomes influential. Two evenly matched business schools may have different reputations, depending on personal choices, interpretations, and even prejudices. Some respondents in educational rankings may believe that schools in the Northeast are better than those in the South, Midwest, or West, for example. Some think private institutions always trump public institutions, a prejudice sometimes at odds with reality. An eminent MBA program in a small city may suffer by comparison with one in a New York or Los Angeles. Some reputation graders prefer schools with eminent scholars on the faculty, whereas others may look for prominent professors with extensive business experience. The rankings are simply part of a school's reputation management or *branding*, a word abhorred by some scholars, but clearly appropriate here.

UNDERSTANDING THE RANKINGS

Even though rankings are relatively recent in the history of business school education, no one doubts that they are here to stay. As long as they generate exceptional circulation bumps for the periodicals that publish them, their future is secure. They are a fixture at six major publications—*BusinessWeek*, *Forbes*, the *Financial Times*, the *Wall Street Journal* (done with Harris Interactive), *U.S. News & World Report*, and *The Economist*'s Intelligence Unit—which is reflected in the permanent structure and staffing, not to mention circulation planning as well as advertising links. Although criticism of rankings continues to mount—and some leading schools refuse to cooperate in gathering data—there is no evidence of any lack of interest by those who eagerly seek out the rankings to help them make decisions. Kim Keating, director of public relations at the Tuck School, takes a relaxed view of the rankings, arguing, I believe they can provide insight to the many audiences looking at business schools . . . prospective students, academics, recruiters, and executives interested in new research or in executive programs. The important thing to remember is that each ranking is measuring something a little bit different from the others. Look at them all to understand what they are measuring and then do the research about each school to see which will be the best program for you.[10]

Nunzio Quacquarelli, editor of the *MBA Career Guide*, takes a different view. Having been repeatedly asked to produce rankings, he has declined, wanting to avoid what some call "informational misrepresentation."[11] His solution is to craft a list of top-twenty schools in alphabetical order, given mischief caused by precise rankings of institutions whereby the differences are too close to call. Helle Jensen of the French business school INSEAD praises this approach, calling it credible and sensible. And, no doubt, this less controversial guidebook makes life for business school deans and recruiters easier—and less stressful—but fails to generate the kind of excitement and ballyhoo associated with the magazine rankings. First, the magazines publish their findings; and then the schools affected join the debate, expressing pleasure when they rank high, denouncing the results and doing damage control when they do not. Anyone considering MBA programs ought to be aware of the publicity and public relations choreography shamelessly carried out by affected schools as they consider the meaning of the rankings.

As suggested earlier, at least three considerations distinguish the several B-school rankings, those being the

- *universe of schools* ranked;
- *respondent groups* who ranked the schools; and
- *criteria* used to rank the schools.

What Schools Are Ranked?

Which schools make the final cut in the rankings depends on which ones are included in the universe of schools "sampled" from among those that exist in the United States and elsewhere in the world. For the most part, magazine raters have been coy about which specific schools are included, implying only that among them are the best known and most highly regarded from across the nation based on different criteria—relative visibility of the school and its programs, quality of the parent institution, references in popular and scholarly publications, recognition on Wall Street and elsewhere in the business community. Although most of the business publications have separate staff for their B-school editions, they can draw on the knowledge of personnel in regional and international bureaus for information, local views, and other factors. *BusinessWeek* presented its 2005 rankings with a presumption of one-stop shopping for anyone pursuing an MBA, writing:

> Since 1988, *BusinessWeek* has ranked the best full-time MBA program every two years. In 2004, we ranked the top 30 U.S. programs and the top 10 programs outside the U.S. Scan in-depth profiles of the leaders and more than 280 other full-time programs around the world. Use the MBA search tool to find the programs that fit your needs. And if you're an MBA Insider subscriber, compare programs and create your own B-school comparison tables.[12]

Thus, from a universe of 280 schools, the magazine derives its first tier of top-30 U.S. schools and top-10 overseas. In a complex web site, a true cyber-salon, with information for many schools and even a blog for comment, the magazine invites the interactivity just noted.

The popular *U.S. News & World Report* rankings contacted 391 schools and got 318 responses with only 189 providing all the data needed to calculate the rankings. Yet, the full 391 appeared in the magazine's directory. In contrast, the *Wall Street Journal*/Harris Interactive survey focused on 76 schools plus 20 recruiters and divided schools into national, regional, and international categories. The *Financial Times* drew on 100 U.S. and non-U.S. schools (see Table 6.1).

Who Ranks the Schools?

Those accorded the privilege of ranking the schools also differ from survey to survey. The *WSJ*/HI relies entirely on business recruiters, some 3,267 who were in the universe from which the study was developed.[13] Business school grads and business schools themselves were not included. By contrast, *U.S. News* queries recruiters who previously hired from ranked programs of which 31 percent responded. Although business school graduates were not contacted, data on placement success, salaries, and bonuses were included. The magazine also says it contacted a group of business school deans, directors of accredited programs, and senior faculty. No information was given about how many were included, but it was reported that 53 percent responded. The *Financial Times* did not contact recruiters, but sent a survey to unspecified numbers of MBA alumni to chart their progress from pre-MBA to the workplace. In addition, a survey instrument sent to each of the 100 schools included in the study probed faculty diversity, advisory board members, students, and international experiences of students. *BusinessWeek* reports that it contacted 456 corporate recruiters of whom 223 answered. To get student input, 18,052 graduates from 94 schools were included. The magazine further reported that most schools, except Harvard and Wharton, provided alumni contact information (see Table 6.2).

TABLE 6.1. Universe of Schools Ranked

	Wall Street Journal/ Harris Interactive Survey, 2005 Rankings	*U.S. News & World Report*, 2006 Rankings	*Financial Times*, 2005 Rankings	*BusinessWeek*, 2004 Rankings
Universe	* 265 schools (186 U.S. schools)	* 391 schools		* More than 280 programs worldwide
Number of Schools Eligible to Be Rated/Ranked	* 76 schools ranked * 20 recruiter ratings required	* 391 AACSB International accredited schools		
How Schools Were Selected to Be Rated	* Three categories—national, regional, and international	* 391 contacted * 318 responded * 189 provided necessary data	* Schools with accredited MBA program for at least three years	* Now include more schools, including non-U.S.
The Final Number of Schools Appearing in the Rankings	* 19 national schools * 47 regional schools * 20 international (9 European, 1 Central American, and 10 North American)	* 391 schools appear in the directory	* 100 U.S. and non-U.S.	* Top-30 U.S. * Next 20 U.S. * Additional 18 U.S. considered * Top-10 international * Additional 15 international considered

TABLE 6.2. Respondent Groups Who Ranked the Schools

	Wall Street Journal/Harris Interactive Survey, 2005 Rankings	*U.S. News & World Report*, 2006 Rankings	*Financial Times*, 2005 Rankings	*BusinessWeek*, 2004 Rankings
Recruiters	* 3,267 MBA recruiters surveyed online * Rated only full-time programs	* Those who previously hired from ranked programs * 31 percent responded	*Not included	* Corporate recruiters at 456 companies surveyed * 223 answered
B-Schools Grads	* Not included	* Based on placement success plus salary and bonus	* Survey sent to alumni; questions included salary, placement success, international mobility, and alumni recommendation * Number of students surveyed not given	* 18,052 graduates from 94 schools worldwide * Wharton and Harvard declined; instead used publicly available resources
Business Schools	* Not included	*Business school deans and directors of accredited programs, and senior faculty * 53% responded	* Schools complete a survey measuring diversity of faculty, advisory board members, students, and international experiences of students	* Most schools, except Wharton and Harvard, provided alumni contact information

TABLE 6.3. Criteria Used to Rank the Schools

Wall Street Journal/Harris Interactive Survey, 2005 Rankings	*U.S. News & World Report*, 2006 Rankings	*Financial Times*, 2005 Rankings*	*BusinessWeek*, 2004 Rankings
Recruiter and Mass Reputation	40%—Quality Assessment	59%—Alumni Survey	45%—Recruiter Reputation
* The ranking components for all schools include three elements: perception of the school and its students (20 attributes); intended future supportive behavior toward that school; and mass appeal.	• 25%—Peer Assessment Score * Business school deans and master's program directors rated on scale from "marginal" (1) to "outstanding" (4).	* Includes questions about salary, degree value, career progress, aims achieved, placement success, alumni recommendation, and international mobility. *Salary information, based on three years after graduation, is an average from the 2002, 2003, and 2004 surveys.	* Recruiters rated their top-20 schools according to the quality of students and their company's experience with B-school grads. * Greater variation among corporate ratings versus student ratings and had greater impact on overall ranking.
	• 15%—Recruiter Assessment Score * Corporate recruiters and company contacts who hire from previously ranked programs were asked to rate programs on a scale from "marginal" (1) to "outstanding" (4). *(In both assessments, those unfamiliar with the school were asked to mark "don't know.")*		

35%—Placement Success • 14%—Mean starting salary and bonus * The average starting salary and bonus of 2004 graduates of a full-time master's program in business. • 21%—Employment rates for full-time master's in business program graduates * Employment rates at graduation (7%) and three months after graduation (14%) are used in the ranking model.	33%—Business School Survey * Weighted to reflect gender and international diversity among faculty and students, along with percentage of doctoral graduates and faculty with a doctorate.	45%—Post-MBA Success * 45-question student survey * Students asked to rank on a scale of 1 to 10 for each question. *Data analyzed along with responses from 2000 and 2002 surveys to arrive at final graduate survey score.
25%—Student Selectivity * Mean GMAT (16.25%) * Mean GPA (7.5%) * Acceptance rates (1.25%)	10%—Intellectual Capital * Research survey rates faculty publications in 40 international academic and practitioner journals. Points accrued by the business school at which author is employed.	10%—Intellectual Capital * Number of faculty academic journal entries in 18 specified publications * Added points for professors' books reviewed by the *New York Times*, *Wall Street Journal*, or *BusinessWeek*.

* *Financial Times* total weighting is 102%.

What Criteria Are Used?

Again many differences were evident in assessing the different measures used by the several surveys. The simplest was the *WSJ*/HI study, which probed only the perceptions of recruiters and asked their impressions of different schools. Clearly an important factor was whether the recruiter was planning to return again to the school. *U.S. News* weighed in with the recruiters accounting for 15 percent, deans and directors 25 percent, with 35 percent given to placement success drawn on information provided by the participating schools. The *FT* weighed its ranking by giving 59 percent to alumni views of the performance of the MBA program, 25 percent for diversity (e.g., female faculty and students, international faculty and students, language requirements, etc.), while 20 percent was credited to research indicators—such as the number of faculty with doctorates, faculty publications, and other factors. *BW* by contrast gave 45 percent weight to its recruiter survey, 45 percent to its graduate survey, and 10 percent to intellectual capital, defined as tallies of faculty academic journal entries in eighteen specified publications (the top journals in various B-school fields). Points were added if a faculty member's book was reviewed in the *New York Times*, *Wall Street Journal*, and, not surprising, though self-serving, *Business Week* itself. Some rankings may have some difficulties getting access to student data in the future if the actions of two top business schools (Harvard and Wharton) are a harbinger of change. Both in an April 2004 action decided to deny *BusinessWeek* and other media access to contact information for students and alumni, "citing a concern for the manner in which the magazines collect information to be used in compiling rankings,"[14] according to Virginia Zignego writing in a University of Wisconsin publication, the *Badger Herald* (see Table 6.3).

The *Wall Street Journal* and Harris Interactive offer the most detailed information about how their survey is conducted, which perhaps one should expect from a respected survey research firm. The singular nature of the study—with recruiters—no doubt provides a clearer, if more limited, picture of what was asked—and what was learned. Criteria are enumerated and ranked by percentage of those in the survey who thought specific factors were important (see Table 6.4).

"AND THE WINNERS ARE"

Each time a major business school ranking is published, business school deans and their nervous admissions officers behave something like movie industry people at the Academy Awards, as the presenters intone, "And the winner is." Typically the inevitable lists are presented—from one to thirty in *BW*'s case—and the magazine publishes profiles of several of the schools accompanied by attractive pictures of current students and interviews with the "winning"

TABLE 6.4. The Rating Criteria for Recruiters

Student and School Attributes
Communication and interpersonal skills
Ability to work well within a team
Personal ethics and integrity
Analytical and problem-solving skills
Success with past hires
Leadership potential
Fit with corporate culture
Strategic thinking
Likelihood of recruiting "stars"—that is, graduates who are very likely to be promoted within the company
Well-rounded
Willingness of the school's students to relocate
Student chemistry—that is, the general like or dislike you have of the student overall
Students' average number of years of work experience
Content of the core curriculum
Overall value for the money invested in the recruiting effort
School chemistry—that is, the general like or dislike you have of the school overall
Faculty expertise
Career services office at that school
Awareness of corporate citizenship issues
Students' international knowledge and experience
Supportive Behavior
Likelihood of extending an offer to a student at the school in the next two years
Likelihood of making an effort to recruit at the school in the next two years

Source: *Wall Street Journal*/Harris Interactive Year 4 Business School Survey, 2005.

deans. Sometimes there is an explanation of why a given school moved up or down the ladder, based on student interviews or other information. The articles and their breathless commentary give the impression that an election has been held or a road race completed. "This is our grand prix," one student said. And you can hear champagne corks popping at the anointed schools.

In its 2005 rankings, presented in a special section of the newspaper, the *Wall Street Journal* played the horse race angle, with the headline, "Back on Top," followed by this: "A trio of familiar names returns to the winner's circle in the year's *Wall Street Journal*/Harris Interactive business-school ranking."[15] And a headline more like that found on the sports pages said it all: "After two years out of the top spot, Dartmouth's Tuck School is No. 1 once again."

When the *WSJ* began its surveys in 2001, it offered a single global ranking of the top fifty MBA programs based on the appeal of the schools to recruiters who the paper calls "the buyers of MBA talent." This time, the paper decided to create three categories of schools—national, regional, and international—to reflect the patterns of recruiters better, it said. Of course, splitting the prizes across three different categories also has greater commercial advantage for the paper as it makes the survey more popular with more schools, good reinforcement for the newspaper's already respected brand.

Typically, the rankings include such institutions as Harvard, Penn's Wharton, Chicago, Northwestern's Kellogg, and Stanford near the top. Schools such as Michigan, Cornell, Columbia, MIT, Dartmouth, Duke, Virginia, UCLA, and Carnegie Mellon usually rank highly too. In *BW*'s 2005 rankings, twenty-one of the top thirty schools were private institutions with nine public universities gaining recognition. Top international schools were all European and Canadian, including Queens, IMD, INSEAD, ESADE, London, Western Ontario, IESE, HEC-Paris, Toronto, and HEC-Montreal (see Table 6.5).

For those bored by the rather predictable findings of several of the surveys, the *WSJ*/HI study sometimes has surprises. A 2004 headline in www.CareerJournal.com, the *Wall Street Journal*'s executive career site, announced, "And the Winners Are: Michigan, Purdue and IMD,"[16] as it heralded two state universities and Switzerland's International Institute for Management Development. As Ronald Alsop wrote: "Who's No. 1 in the MBA world? This year, it's a threefold answer. Yes, the fourth annual *Wall Street Journal*/Harris Interactive survey of corporate recruiters has produced not one but three top No. 1 ranked M.B.A. programs."[17]

A closer look indicates that the three winners were at the top of their classes in three different categories—national, regional, and international—not tied for first place in the same ranking. As Table 6.4 notes, the recruiters were asked their views about leadership potential, teamwork skills, and interpersonal qualities as well as the school's mass appeal, based on the number of recruiters it attracts. Although claiming a sense of scientific precision, the study nevertheless is subjective—and often quite opinionated—as it reports the views of recruiters. Students at Michigan and Purdue, both heartland universities and top in their respective categories (national and regional), were praised for their "strong work ethic and humility." As a pharmaceutical industry recruiter, Stephen Havel, put it: "I have always been impressed by how Michigan MBAs comprehend problems quickly, especially with supply chain and operational issues. They're also very sociable and down-to-earth, unlike students at some schools whose approach is 'Look at me, look at me! Let me show you what I can do.'"[18] By contrast, an investment-banking executive complained that students at USC's Anderson School of Business were "somewhat arrogant and disrespectful during the interview process."[19] As he put it, "I had several candidates make salary demands during the first interview." Harvard (ranked thirteenth in this survey) MBAs also were graded down in the study by recruiters who described them using terms such as *a chip on their shoulder*, *snobbish*, and *arrogant*. One recruiter reportedly said, "Most of the students are full of themselves." Just

TABLE 6.5. Top Ten Business Schools

Survey Rank	*Wall Street Journal*/ Harris Interactive Survey* (2005)	*U.S. News & World Report* (2006)	*Financial Times* (2005)	*BusinessWeek* (2004)
1	Dartmouth College (Tuck School of Business)	Harvard University	University of Pennsylvania (Wharton School)	Northwestern University (Kellogg Graduate School of Management)
2	University of Michigan (Stephen M. Ross School of Business)	Stanford University	Harvard Business School	University of Chicago
3	Carnegie Mellon University (Tepper School of Business)	University of Pennsylvania (Wharton School)	Columbia Business School	University of Pennsylvania (Wharton School)
4	Northwestern University (Kellogg Graduate School of Management)	Massachusetts Institute of Technology (Sloan School of Management)	Stanford University (GSB)	Stanford University
5	Yale University	Northwestern University (Kellogg Graduate School of Management)	London Business School	Harvard Business School
6	University of Pennsylvania (Wharton School)	Dartmouth College (Tuck School of Business)	University of Chicago (GSB)	University of Michigan (Stephen M. Ross School of Business)
7	University of California–Berkeley (Haas)	University of California–Berkeley (Haas)* *(tied for 6th with Dartmouth)*	Dartmouth College (Tuck School of Business)	Cornell University
8	Columbia University	University of Chicago	INSEAD (France/Singapore)	Columbia University
9	University of North Carolina, Chapel Hill (Kenan-Flagler)	Columbia University	Yale School of Management	Massachusetts Institute of Technology (Sloan School of Management)
10	University of Southern California (Marshall)	University of Michigan–Ann Arbor (Stephen M. Ross School of Business)	New York University (Stern)* *(tied for 9th with Yale)*	Dartmouth College (Tuck School of Business)

*National schools only

TABLE 6.6. Interpretive MBA Ranking Breakdown

Publication	*BusinessWeek*	*Financial Times*	*U.S. News & World Report*	*Wall Street Journal's College Journal*	*Forbes*	*Economist Intelligence Unit*
How Schools Qualify to Be ranked	Must have offered a full-time MBA program for at least seven years and have reputations beyond their own regions. Factors such as accreditation and number of students also play roles.	Must hold international accreditation such as AACSB or EQUIS, and have a full-time MBA at least five years old with at least 30 graduates.	Must have full-time and part-time graduate business programs accredited by AACSB International.	Must be identified through information from AACSB International, with a full-time MBA program and at least 50 graduates.	Must have a two-year, full-time program with at least 50 graduates.	Must have a full-time MBA program and attain a minimum number of responses from students and graduates (approximately 25% of total student intake).
Factors Most Weighted*	Survey of students and recruiters regarding their satisfaction with the school (45%).	Average salary for alumni during the three years after graduation (20%) and percentage increase in salary from start of MBA to three years after graduation (20%). Research is weighted 10%.	Survey of other business school deans and directors (25%) and corporate recruiters (15%).	Corporate recruiter ratings. Ratings measure their reported perception of a school, the current-year mass appeal of the school, and the likelihood of recruiters returning to that school in the next two years. Each factor weighs one-	Return on investment—salary alumni earn over five years as compared to cost of MBA program (100%).	Survey of students regarding their educational experience and career opportunities during and after graduation (70%).

Factors That Contribute Most to a Rise or Fall in Rank	"If there's a significant fall in the quality of the faculty, or if great professors aren't available to teach, student satisfaction tends to fall in other areas," says Jennifer Merritt, formerly of *BW*.	"If schools select the right students and teach them well, those students will go on to get good jobs" with good salaries, says *FT*'s Della Bradshaw. "If schools invest in research, they will do well in that section."	"The variable that is most volatile is how a school's placement office does one year versus the next," says Bob Morse of *U.S. News*.	"Communication skills are the most important attributes recruiters say they look for," says *WSJ*'s Ron Alsop. "Some schools have created more courses or hired coaches to help students improve in these areas."	"Schools that send their graduates into high-paying industries such as investment banking and consulting will probably do better in our ranking than those who send students into marketing or some other disciplines," says Kurt Badenhausen of *Forbes*.	"We don't measure a school's reputation," says Bill Ridgers of *EIU*. "What matters most is the enthusiasm students have for the school. That enthusiasm often stems from areas such as career services."
Most Recent Change(s) to Methodology	*BW* has added more schools eligible to be ranked. "If a school shows up on a recruiter's write-in list, we pay extra attention to that school for possible inclusion," says Merritt.	The *FT* no longer asks schools how many language courses students take. Instead, it asks how much time students spend in exchange programs.	None.	*WSJ* has reduced its number of rated attributes from 24 to 20 and added an international mass appeal rating. Instead of an overall ranking, it now publishes three separate rankings that group together schools with common recruiting patterns.	*Forbes* has added a separate ranking of one-year MBA programs, which includes schools inside and outside the U.S. "We've also made minor changes in how we calculate tuition in terms of in-state and out-of-state tuition costs," says Badenhausen.	The *EIU* has dropped a question regarding the number of companies that recruited from a school's latest class. "In practice, it was too difficult to measure," says Ridgers.

*These rankings weigh many factors—this chart indicates the factors that comprise the highest percentage weight in ranking calculation.
Source: Andrew J. Policano, "What Price Rankings?" *BizEd* (September–October 2005).

what these comments mean is anybody's guess. Will recruiters drop Harvard from their schedules in favor of the schools in which students are more deferential? That is highly doubtful and underscores the mystique and confoundedness of the rankings, which independently mean different things to different people as they mix factual data with subjective impressions.

PAY ATTENTION OR IGNORE THEM?

So what, if anything, to do with the rankings? In a perfect world, there would be agreed-on criteria for ranking schools, rigorous standards of assessment, and consistency across the various surveys, at least in terms of the schools included. In a perfect world every business school would be included and would, if warranted, have an equal chance of making the grade into the top ranks of business schools. But rankings are not mechanical means of identifying differences and focusing on quality issues. They are, at best, a set of flawed findings sometimes based on factual information, sometimes on unvarnished opinion—and always compromised by the fact that collectively those who rank simply do not possess enough experience or data to make truly informed judgments across a fair sampling of schools, let alone the entire universe of business schools.

So, let's be honest. The rankings are what they are and usually what their promoters say they are, nothing more, nothing less. They have the influence of stirring competition between and among schools, and they do provide a window on the relative prestige and reputation of a given school. This is sometimes more the product of publicity, promotion, and branding than anything else, but it does not preclude the fact that many schools of high quality are among those highly ranked. Rarely does a weak or poor school make the grade, whatever the flaws of the rankings, though many fine, high-quality schools are missing from the lists.

Yes, the rankings are a form of consumer information with caveats. The periodicals that do the rankings love to stir controversy and have their effort become the subject of heated, public discussion. That sells magazines and newspapers and marks the survey as influential. They simplify the complex and sometimes mislead. But the magazines and their editors are entitled to their opinions based on the yield of their particular brand of reporting and information gathering. In instances in which studies are a form of garbage in, garbage out, rankings are not especially helpful, and any harm they do is more a product of how business schools react to them. It is the collective reaction of students as consumers, business schools as objects of study, and recruiters as representatives of employers who have given the rankings their apparent importance. Perhaps, that's natural because Americans love lists with horse race certainty. Alphabetical lists never have the cache of those with numerical rankings, no matter the topic. Sometimes rankings and the information that accompanies them do point up strengths and flaws in various schools and their programs. They foster debate—sometimes healthy, sometimes not among faculty members and deans charged with the welfare of the schools under scrutiny. Rankings can set an agenda for discussion among a school's stakeholders and constituents, and that can be useful—or not, depending on the outcome and the degree to which a negative—or positive—assessment has any basis in fact and evidence. It is useful to remember, though, that there is a certain gamesmanship to the rankings. To be sure, the magazines want to be noticed by stirring debate and fostering conflict, which is in the nature of increasingly lively business journalism. Schools can play games too, trying to push up their rankings, not so much through quality control and improvements, but in feeding the right data to potential judges (other deans, students, and recruiters) as well as a robust publicity and marketing program. There are ways to "beat" the rankings or to play their game, which resourceful B-school administrators are not above doing. Indeed, some ads recruiting business school deans allude to "improving" a school's rankings or "taking us to the next step," which is code language for moving up in those confounded assessments. Knowing this, consumers of rankings can use them for gross comparisons and to gauge the esteem in which a school is held among its key stakeholders.

Andrew J. Policano, dean of the Paul Merage School of Business at the University of California, Irvine, worries about the unintended consequences of the rankings. He says that when the rankings began in 1987 their sponsors wanted to fill an information niche and boost circulation. To the magazines changing business schools or even fundamentally altering them was not really their prime concern, though *BW* did admit wanting to *reward* and *punish* schools. But Policano argues that significant and sometimes undesirable changes have come, including

- higher GMAT requirements;
- smaller cohorts;
- overemphasis on paychecks [starting salaries of graduates];
- shifts in spending;
- more frills, less substance; and
- marketing bonanzas.[20]

In effect, those who slavishly follow the rankings and adjust their programs accordingly, can deny admission to worthy students who fall below the minimum GMAT, arbitrarily limit class size regardless of whether it is good for the school's overall condition, push students to go for the best starting salary rather than consider other factors, focus their budget to enhance facilities and resources over faculty quality, and spend lavishly on marketing and public relations to boost the school's external profile. An interpretative look at the MBA rankings breakdown is found in Table 6.6.

CHAPTER 7

USING THE RANKINGS AND THINKING BEYOND THEM

As prospective MBA students peruse the various business school rankings to determine just what accounts for a best or top school and how those factors might be adapted elsewhere if a top-tier school isn't in the picture—which it isn't for 98 percent of those who seek the degree—it's easy to be too earnest and overly serious. That's when it's useful to remember that the MBA may be respected, but not always considered essential, and is sometimes the butt of jokes that doubt its worth altogether. And as attitudes toward the MBA in general shift, so do perceptions of its benefits, the tools it provides, how best to get them—and where.

As a headline in a Canadian newspaper, *The Ottawa Citizen*, put it: "The MBA: From a Passport to Wealth to Office Joke."[1] With some flourish and exaggeration, Jenny Jackson wrote: "The MBA, once a ticket to stratospheric wealth and success, is falling back to earth. Management gurus deride people with them, television ads make fun of them and some employers have unofficial policies not to hire them right out of school—let somebody else teach them some manners."[2] The article cites a 2004 FedEx television ad that pokes fun at the degree. In the ad a young man in his first day at a new job hears his boss say, "We're in a bit of a jam. All this has to get out today."

"Yeah, ah . . . I don't do shipping," he replies.

"No, no, no, it's very easy," she answers. "We use Fedex.ca. Anybody can do it."

"You don't understand, I have an MBA."

"You have an MBA?"

"Yeah."

"In that case, I'll have to *show* you how to do it."

And the voiceover adds, "Fedex.ca makes shipping so easy . . . even an MBA can do it."

Of course, the very success of the MBA and the envy it inspires make it a good target for a whimsical commercial like this one. Ironically, the humorist Scott Adams, who created the irreverent "Dilbert" cartoons in which "foolishness flourishes and thick headedness thrives," is an MBA graduate who is bullish on the degree and what it teaches. As he told the magazine *BizEd:*

> Getting my MBA was probably the hardest, most rewarding and most useful thing I've ever done—and I'm not saying that just because I think you might like to hear it! . . . I know I came out of the MBA program [at UC-Berkeley] much, much better prepared to do anything. And when you encounter people who have not had a similar educational experience, the thing I'm amazed at is that they don't know what they don't know. So they don't know that they're missing anything and that's the scary thing. I didn't know that I was missing anything. And frankly, I didn't go to school; I went to school to get a degree so that people would think I was smart, but I wouldn't actually have to be smart. My biggest surprise was that I actually took away from that experience, skills so valuable that, for me, they made the difference between successful and unsuccessful.[3]

BUSINESS SCHOOLS FIGHT BACK

It was ideas about customer feedback learned in business school that gave Adams insights he attributes to the success of his syndicated cartoon. And although it is a truism that when it comes to rankings, their greatest advocates are those who do well on the annual lists whereas those that slip behind quickly are more likely to be detractors, this is not always so. As mentioned in Chapter 6, it was not two obscure outlander schools that protested the loudest in spring 2004. That's when Harvard Business School and the Wharton School at the University of Pennsylvania, in spite of their own high standings, took issue with the rankings, announcing they would not help the media rankers get access to their existing students or alumni.

As it happened, neither school dropped out of the rankings altogether, but decided to attack one element of the data collection process, thus making it more difficult, though not impossible, for the magazines to do their job. The *Financial Times* opined that "of course if Harvard and Wharton do believe media rankings are fundamentally flawed they could refuse to supply any information at all."[4] *BusinessWeek* fired back, calling the schools' claims about privacy concerns and costs of gathering information "spurious."[5] As the magazine stated in an editorial: "At a time when the public demands accountability from its business leaders and institutions, Harvard and Wharton's attempts to curb the most comprehensive, independent source of student opinion about the quality of their education is shameful."[6] The blunt, if self-serving editorial, blasted Deans Kim Clark of Harvard and Patrick Harker of Wharton for "trying to deny people around the world who seek a B-school education the independent information they need to make decisions."[7] And, one could add, *BusinessWeek*'s own ability to profit from this popular and profitable survey.

IMPORTANT CRITIQUE OR MUCH ADO ABOUT NOTHING?

The decision of Harvard and Wharton ignited a smoldering debate about rankings. Dean Louis E. Lataif of Boston University's School of Management, for example, said that although the two schools cited privacy issues, their fundamental argument "is that rankings don't reflect the quality of academic programs," arguing "that rankings may actually drive up the cost of education. As schools struggle to improve their standing in the rankings, they bid up the cost of faculty and staff, increase marketing expenses, and expand financial aid budgets."[8] He added that there is "no evidence that these increased costs have improved the quality of MBA education."[9] The president and CEO of the Graduate Management Admissions Council, David Wilson, agreed that the decision was not wrong. He noted that the two schools are part of a group of more than 150 B-schools working on his organization to define and develop a searchable database that would eventually yield reliable, independently audited information. "Such information," he said, "lets prospective students make an informed decision based on their educational needs and career objectives. The proliferation of rankings, which are rife with opinions and questionable data, has only made prospective students' decisions more difficult, not less." In any case the dust up between the business schools and the business magazines represents an attempt by B-schools to reassert themselves in a process in which they've sometimes reacted with hysteria when rankings don't go their way.[10] Might this lead to new, more reliable rankings or perhaps a useful, navigable database such as that of the GMAC? John McGee of Britain's University of Warwick MBA program hopes so, saying, "Rather than surveys that are commercially oriented, an impartial not-for-profit organization should agree on the most important criteria and a statistically valid methodology. This could be published annually as one weighted table where potential MBA students can decide for themselves which criterion is most important."[11]

THE DEBATE AS A DIVERSION

Some critics argue that the rankings debate is a diversion, one that erupts from time to time, but to date not with enough force to persuade the magazine rankers that they ought to butt out—or change their ways, though, in fairness, the methodology of the various rankings has improved, if marginally. If anyone thinks that the debate roils only among the top-twenty or -thirty schools, he or she can guess again. An intrastate conflict over the rankings occurred in 2004 when two Texas MBA programs—Texas A&M's Lowry Mays Business School and the University of Texas McCombs Business School—became embroiled over their respective places in the *U.S. News & World Report* rankings. Using data from their peer and recruiter assessment, *U.S. News* had the two schools tying for twenty-third place. Texas A&M had risen twenty-eight places in the rankings to achieve this distinction while UT had dropped six places from the year before. When the UT's *Daily Texan* went searching for an explanation and was rebuffed in its requests for information by its rival, a donnybrook ensued. Whether the Mays School had gotten remarkably better by improving its career placement or the McCombs School had slipped was never successfully resolved. Eventually, even the student newspaper gave up trying to compare data collection techniques and privacy policies that effectively blocked any independent investigation. Ultimately, such controversies, especially among rival schools, are inevitable, but are rarely resolved to everyone's satisfaction.[12]

CONSUMERISM REACHES BUSINESS EDUCATION

Ironically, it has been suggested that B-schools are being asked to practice what they preach and in the process are hoisted on their own petard. How so? Morris B. Holbrook of Columbia University writing in the *Journal of Education for Business*, stated that "strategic commitment to customer orientation has penetrated all aspects of corporate life, including business education" and publications such as *BusinessWeek* have conducted polls "that rank schools on criteria that include evaluations by their former students."[13] B-schools teach the virtues of customer satisfaction in their marketing courses, but are less than thrilled when their own customers are asked frank questions by outsiders, especially if this feedback comes back to bite them. Holbrook, a marketing and consumer behavior expert, muses that rankings may be strongly influenced by what he calls student "gratitude" or "ingratitude." With theorists such as Peter Drucker and Theodore Levitt urging businesses to self-consciously cater to the consumer, Holbook says, "the last fifty years will surely go down in the annals of business education as the era in which strategic thinking embraced the concept of consumer orientation and pushed this conventional wisdom into enterprises in all walks of life . . . ."[14] Noting that business schools have urged consumerism not only in business but also in the nonprofit world and in such varied fields as medicine, religion, and politics—it was inevitable that education too would be targeted. Business schools have popularized their courses and marketed them more effectively to students. They've responded to student evaluations and have in some instances moved away from more serious intellectual pursuits to focus on career enhancement and success in the job market. This, Holbrook and others argue, fosters schools guided by student consumerism, vocationalism, and a trade school mentality, some of the very qualities that business schools

Assessment Criteria Derived from *BusinessWeek*'s Top-Thirty Schools

- Evaluations by corporate recruiters
- An assessment of intellectual capital
- Annual tuition
- Applicant acceptance rate
- Enrollments of female, international, and minority students
- Pre- and post-MBA pay
- Percentage of students with job offers at graduation
- Average work experience prior to the MBA
- Recruiter ratings for students on ethics, teamwork, and analytical skills
- Percentage of increase in competition = post-MBA pay/pre-MBA pay
- Return on investment = (post MBA pay – pre-MBA pay/tuition
- Years to payback = [(2 × tuition) + (1.5 × pre-MBA pay)]/post-MBA pay–pre-MBA pay)

Source: Morris B. Holbrook, "Gratitude in Graduate MBA Attitudes: Re-examining the *BusinessWeek* Poll," *Journal of Education in Business* (September 2004). (The last three criteria were suggested in B. Hindo, "An MBA: Is it Still Worth It?" *BusinessWeek* (October 21, 2002), pp. 104–106.)

sought to escape when they reformed themselves in the 1950s and 1960s. Now with an overheated MBA market and fierce competition between and among business schools, crafting programs, courses, and educational services that are attractive to students is inevitable. And these values, decried by some academics even as they engage in them, quite naturally show up on the radar screen of the various media rankings.

Holbrook, who warned against "the dangers of educational and cultural populism,"[15] in a 1998 article in the *Journal of Consumer Affairs*, has also tracked student gratitude since the early 1990s. In a study of the *BusinessWeek* poll that collects data from corporate recruiters and recent MBA graduates, he noted that the magazine combines objective data with information that is more subjective to create an overall ranking. What is left out is a subtle, psychological factor he calls gratitude or ingratitude. He explains: "those graduates who like their schools better than any objective measures would display gratefulness. Those who give ratings below the levels justified by available predictors show ingratitude." Holbrook quantified his data and developed an index that found that the most ungrateful business school graduates came from Wharton, Columbia, Michigan, MIT, and UCLA. He repeated the study in 2002 and again found, for the most part, "high levels of ingratitude happen to be located in large eastern metropolises—New York, Boston, Philadelphia, Pittsburgh and Washington [where he] surmises that there exists something of a tough, eastern big city 'attitude' that inspires [graduates of] these schools to show low levels of appreciation for their MBA experiences."[16] And he argues that schools such as his own—Columbia—"suffer rather spectacularly from what appears to be an elevated level of student ingratitude" and considers how this might affect rankings, especially the *BusinessWeek* study. To some this might seem a convoluted or even whimsical way to critique the rankings, but, nonetheless, in his regression analysis the Columbia professor identifies some seventeen objective and quasi-objective variables that are useful to students seeking an MBA education because they reflect different concerns and values that can be applied in creating one's own rankings.

RANKINGS AND THE CHARM OFFENSIVE

There is no doubt that student consumerism is on the rise—and that the attitudes of MBA graduates do count, weighing in as "customer satisfaction" in the rankings. Just what the popularity of an MBA program with its recent graduates means isn't always clear. Presumably in the noblest circumstances, it would be an independent judgment by people who no longer have an axe to grind—and who know a good deal about the program they've recently completed. Of course, they have only marginal information about the whole universe of MBA programs, but they can say why they picked their school and what short-term benefits they derived from that experience. Typically that would relate to job placement: whether they got a job and whether it met their expectations. They may or may not comment on faculty quality—how knowledgeable their professors were and how wired in to business they were. Other factors, such as geographic location, the physical facilities of a school's plant, whether they liked and respected their classmates, also are part of this imprecise and imperfect picture. And, if the studies are correct, personality plays a role too. Whether the urbane, metropolitan student in the Northeast is more arrogant and more demanding than is someone at a midwestern or southern school is most likely pure conjecture. However, as we saw in Chapter 6, the *Wall Street Journal*/Harris Interactive Survey seemed to reward and punish schools in their rankings based on the attitudes of recruiters and how they perceived the students they had interviewed. McGill's Henry Mintzberg, who has been highly critical of MBA education as too impractical, along with several colleagues developed what has been called an "anti-MBA program" that addresses the personal behavior issues identified earlier. The program, open only to working managers, is organized in two-week modules spread over sixteen months and offered in five countries. The program addresses mind-set conditions with specific courses, including

Managing Self (the reflective mind-set)

Managing Relationships (the collaborative mind-set)

Managing Organizations (the analytic mind-set)

Managing Context (the worldly mind-set)

Managing Change (the action mind-set)[17]

Similarly, the director of MIT's Entrepreneur Center admits to a "charm school" initiative for his MBAs after students asked for pointers on proper behavior in interviews and on the job. Learning that MBAs at nearby Harvard were doing better in interviews, "our graduates were going down in flames," Ken Morse said. The students had "a fundamental misconception of their place in the world . . . [and] demonstrated an obnoxious, outrageous, egregious sense of entitlement . . . ." The sources of that entitlement? "First, they come that way. Then, after two years, you do three classes a day in which you're solving important problems in a company. After awhile of drinking your own Kool Aid, you actually think you know what you're talking about."[18] Morse advises his students to "get a grip"; to recognize that humility counts; and to remember, at least during the first year of employment, that secretaries and administrative assistants know more about the company than newly minted MBAs.

PERSONALITY, MANNERS, AND BEHAVIOR

Circling back to consumers of rankings, it is clear that personality, manners, and appropriate behavior do make a difference to employers who are looking not onlyfor the best possible employees in their visits to MBA schools but also for those who will wear well and who will require the least maintenance in the firm. Ronald Alsop, writing in the *Wall Street Journal* in 2005, observed that "both recruiters and B-school officials describe this generation of MBAs as cynical and media savvy, with a short attention span for canned corporate spiels."[19] The result is that in a good economy, student attendance flags at campus recruiting events and "busy students figure they can skip the speeches and simply research companies on the Internet." True, but once again, the human factor is lacking and it is difficult for either side to scope out the other fully without face-to-face contact. Ultimately, employers whom the recruiters represent call the shots about who will be hired and clearly that is channeled back to schools as a measure of the effectiveness of their programs. As Stephen Ellis, worldwide managing director for Bain & Company, put it, "we are looking for people who enjoy tackling tough problems and [who] aren't satisfied until they have seen results. We are also interested in the passion they bring . . . ."[20] Ellis and his colleagues in the Boston-based business consulting firm put interviewees to the test in a highly selective screening process. As he told the *Boston Globe*, those interviewed "are given cases to review and they've given exams. We might, in the course of an interview, have a business problem for them to solve. We want to know 'do they demonstrate the ability to listen and communicate?' They may have, in all, three one-hour interviews at the company."[21] Of course, as important as the views of business executives are in the hiring process, serving as entry-level gatekeepers, they may not represent a long-term view of the value and viability of MBA education and training, but instead a short-term and self-serving perspective.

PERSONAL ASPIRATIONS AND FUTURE SCENARIOS

For the longer view of the value of an MBA education—and the utility of rankings and other information in deciding where to apply—candidates need to know themselves and have a good sense of their ultimate values. PR legend Edward L. Bernays, whom we quoted previously, used to advise those investing in advanced graduate education to "first, consider your career goals, not just job prospects." Of course, one will perhaps lead to the other—or sometimes not. Bernays advised people to sort out their personalities and desires, whether that involved a craving for wealth creation, personal influence, and power; a balanced personal lifestyle; or service to others. He understood there are always trade-offs. "Once you know these things, picking a school, acquiring knowledge and skills needed to pursue your dream—and then, going to work for the kind of employer who helps you get where you want to go, seems pretty logical." Remember, he used to say, "Planning is crucial. Business careers just don't happen and people who know themselves and follow their passions almost always do better than those who are more casual about it."[22] These days everyone is flooded with information, often so much information, that it is difficult to sort it out and make the best and most discerning choices. The rankings are one kind of consumer information, but rarely ought to be taken at face value or accepted uncritically with too much earnestness for all the reasons we've previously cited. What they do offer is an inventory of questions about institutions, the individuals who work there, the people they graduate, and their track record over time. And there is plenty of information about relative costs and, ultimately, return on investment (ROI), which we will deal with in a later chapter.

Students who have a shot at the top-thirty schools—a roster that shifts, but for the most part usually includes the best-known schools in the nation—might find the rankings especially useful as they themselves visit campuses and ask questions to find the educational setting most appealing to them. People more likely to attend schools in the next tiers, according to the rankings, can do the same thing, drawing on much of the same material. It is common now for magazines doing rankings to maintain large files on schools, providing basic, factual information offered by the schools themselves and sometimes other sources. Looking at rankings with subtlety is especially important for people not necessarily interested in careers in the most popular business fields such as investment banking and management consulting. Some schools have close relationships with leading firms that seek out the best MBA students who might be interested in fields such as consumer products and mass marketing. Procter & Gamble, for example, recruits heavily at Indiana University's Kelley School of Business, beginning with attractive summer internships, and finds ways to communicate personally with these prospective employees.

NUANCED INTERPRETATIONS

Now that MBA rankings focus on specific fields, ranging from finance and management to marketing and international/global business, they also offer rankings for specific platforms, including breakouts for full-time, part-time, EMBAs, and even online programs. Although a flood of this information exists in the data banks of the various ranking publications—and is readily available—it is often useful to travel to the web sites of individual business schools. They make their own case, of course, often featuring rankings and interpreting them in nuanced ways. A school may have as its goal local or regional leadership or specialization in a given field. This is explained on the web site, and while self-serving, it does impart information that offers context about the school's tradition and history—a track record that usually goes back before rankings were invented. One learns there about the school's signature programs, which may or may not be ranked, leading faculty, prominent alumni, relationships with the business community, and other factors that go beyond the cold statistics of the rankings. For anyone who is motivated, these web sites provide names of people, from faculty members to recent graduates, whom prospective students can contact for more information. Some business schools pay special attention to the industries of their area and region, even going so far as to set up industry study centers, some funded by the Alfred Sloan Foundation, to advance scholarship and understanding—as well as serving those designated industries ranging from agribusiness to aerospace and biotechnology to telecommunications. And as one Carnegie Mellon student told us, "I decided that if I couldn't get into one of the top-three schools, I'd go to the best possible school where I ultimately want to live [Pittsburgh] and focus myself accordingly."

MBAs RANK THE EMPLOYERS

Nothing these days is a one-way street, and employers are not always in the drivers' seats either as they recruit for the so-called "rock stars" of MBA programs. These are the top students, typically with rich professional backgrounds, high grades, and winning personalities. In surveys of ideal jobs, conducted in 2004 and 2005, MBA students picked the companies they saw as preferred employers. Heavily weighted to financial services and management consulting

TABLE 7.1. Ideal Employers Selected by MBA Students

In a recent survey, American MBA students picked these companies most often when asked to name their "ideal" employers.

COMPANY	2005	2004	COMPANY	2005	2004
McKinsey	1	1	IBM	14	4
Citigroup	2	2	Apple Computer	15	31
Goldman Sachs	3	3	Coca-Cola	16	8
Bain	4	7	3M	17	14
Boston Consulting Group	5	13	Microsoft	18	12
Johnson & Johnson	6	5	Amazon.com	19	18
Booz Allen Hamilton	7	10	American Express	20	15
Bank of America	8	19	Lehman Brothers	21	28
Morgan Stanley	9	25	J.P. Morgan Chase	22	30
General Electric	10	9	Walt Disney	23	16
Procter & Gamble	11	17	Dell	24	21
Deloitte	12	11	Nike	25	23
BMW	13	6			

Note: Readers can see more MBA employer rankings at College Journal.com.
Source: Alsop, Ronald. "M.B.A. Track," Wall Street Journal, May 10, 2005, p. B6.

firms, the MBA respondents selected firms that were paying the most and hiring the most. The results of the survey that included some 4,700 MBAs at 50 U.S. schools are in Table 7.1.

Although MBA programs and the rankings reflect a gender-neutral approach, it is clear that men and women have significant differences, as the Universum Communications study (cited in Table 7.1) reflects. When it comes to employer preferences, women favored consumer products; marketers and retailers more likely to be men gave the nod to the tried and true financial services and management consulting firms and, to a lesser degree, technology companies. When the MBAs were asked what factors were most important to them in employment decisions, they mentioned a *challenging role*, *corporate culture*, *a clear path to advancement*, and a chance for *work–life balance*. Because the purpose of an MBA education is generally, though not always, a career in business, those considering graduate school might work backward, imagining the kind of job and career situation they will ultimately seek (to the extent that is possible) and matching it with the kind of program that will lead them there. Rankings are one indicator that is useful and there are others too, some of them involving a bit of forecasting on the future of business, the economy, and life in general. At a time when change is imminent on so many fronts, rankings are a somewhat static measure, though they do reflect the reputations for better or worse of many of the leading schools of the United States, Europe, and Asia.

THE INTELLIGENT USE OF RANKINGS

Thus, the key to using rankings intelligently is to think of them as a set of indicators based on many factors morphed into a metric that helps separate truly distinguished programs from some that are less so. But the rankings are also badly flawed for all of the reasons we've indicated in this chapter and in Chapter 6. If business schools were likened to automobiles, one can imagine that the most expensive, best-built cars that are most effectively marketed would (and do) top the list. There are also cost-effective, durable vehicles that also warrant attention and can, like schools, be the best in their class or category. Clearly the choices are many and varied, depending on interest and appeal, style, cost, durability, appropriateness to the environment in which the MBA will be used, and other factors. Rankings exist because people make choices and the intelligent consumer of MBA programs will put them in the proper context. Sometimes that means rejecting the rankings in favor of other factors that are more important to a given individual.

CHAPTER 8

UNDERSTANDING RETURN ON INVESTMENT FOR THE MBA

Since economic profit is a driving force in business, it is not surprising that those seeking MBA degrees will wonder whether there is a financial advantage to be had in the experience or whether one is ultimately better off getting a job and pursuing a career without advanced study, assuming that practice will trump education. It would be naïve to assume that earning power is not a powerful motivator for MBA programs, though a passion for money alone, for wealth creation for oneself is rarely enough to sustain a career in business. Even in a field like motion pictures, in which the desire to entertain and perhaps even create an artistic product is a compelling incentive, these values rarely trump the pursuit of profit as a motivator. The great comic actor and filmmaker Charlie Chaplin, whose "Little Tramp" films are now regarded as art, admitted this when he said, "I went into the business for money and the art grew out of it. If people are disillusioned by that remark, I can't help it. It's the truth."[1] Although it is our experience that MBAs are motivated by many things—a competitive spirit that thrives in the marketplace, a passion for business, an interest in a particular industry, a talent for fiscal management, leading people, or creating products—they most certainly want to be compensated for their efforts, though few these days have the illusion that the MBA will necessarily make them billionaires. At the same time, business is replete with stories about gifted people who rose to great prominence in business without the MBA while others argue that the MBA was their ticket to a business career. There is no easy answer, no precise calibration, no instant algorithm that yields accurate expert advice for every individual.

That said, there are ways to think about and, yes, even to compute an economic return on investment (ROI) for MBA programs that is worth considering as one of several factors that one should inventory as part of the decision to seek the degree. *BusinessWeek* offers an online ROI Calculator whereby the prospective MBA student can calculate in advance his or her dollar investment (tuition plus lost income), anticipated salary increase, break-even point (the estimated number of years to make back the investment), and the annual ROI (over a ten-year period) estimated separately for individual schools and according to the student's academic credentials (as measured by a GMAT score).[2] These are, of course, estimates before entering the academic program (and certainly before receiving any postdegree job offers) and should be discounted not only by an understanding of what is being measured in the ROI and what is not but also by an appreciation for how accurately a measure of past behavior can predict future performance.

MEASURING THE RETURN IN INVESTMENTS IN KNOWLEDGE

The forces that have transformed the workplace and career paths—globalization, the spread of information technology, deregulation—have given rise to a new stage of economic development—the information/knowledge economy in which "knowledge is replacing physical resources as the main driver of economic growth."[3] Knowledge does not exist in isolation but resides in people, that most mobile of resources. That mobility is in part attributable to advances in knowledge and, in turn, contributes to the ending of predictable career paths that characterized the old industrial economy.

Economists traditionally view the acquisition of education and job experience (what we called in Chapter 4 pure knowledge and experiential knowledge) as investments in human capital, as they enhance the individual's value in the workplace. Similarly, acquiring networks of personal contacts (what we called personal knowledge) that are both a source of information and a means to test ideas and transmit understanding is another form of human capital investment. In the knowledge economy, such investments have ever greater significance and often replace investments in physical capital as the principal point of value in a firm. The MBA in this context is not just a ticket of entry into upper management but also, more importantly, an investment in human capital that will keep the degree's recipient in upper management. This perspective then invites a determination of the rate of return on that investment (ROI), both as a means to assess different MBA programs and as a comparative analysis of that estimated return with the returns from investments in alternative assets.

Calculating the ROI of a particular investment in human capital presents some special dilemmas, however, because the investment cannot be separated from the person in whom it is made. Although the investment in human capital is expected to increase the individual's anticipated earnings, at any given level of human capital, earnings will also be influenced by a number of other factors—location, industry, occupation, race, sex, ethnic origin. Moreover, although the education that is intended to enhance earning potential and advance career prospects clearly does so because it is an investment in the student's capability to add value in the workplace, it also has some aspect of consumption that distinguishes investments in human capital from investments in other physical assets. The individual in whom the capital is embedded hopefully derives some pleasure from the learning experience and receives some return from the investment in pure consumption. That benefit in pure consumption will continue over a lifetime if the MBA degree also leads to a career that provides personal satisfaction and fulfillment. Thus an ROI based only on the student's increase in earnings after completing an MBA, for example, will understate the full return the individual receives from his or her investment.

Similarly, the increase in earnings the student realizes on receipt of the degree represents not only the return to the enhanced understanding and skills and extended personal network achieved in the pursuit of an MBA, but also the talents and abilities the student brought to the program. Thus an ROI based only on the student's increase in earnings postdegree will overstate the full return from the studies completed and the networks gained. As noted in Chapter 1, one recent study of the earnings results for business students in Australia estimated that as much as 80 percent of the increase in earnings realized by business graduates is attributable to the business school's role as a screen to identify people with particular abilities.[4]

If the MBA degree is the critical screen or ticket for entry into such high-paying positions, then the degree's role as a filter is part of the investment realized in the ROI even though the increase in earnings is not attributable to some transformational change in understanding the student achieved during MBA studies. Instead that portion of the ROI attributable to the MBA's role as a filter can be viewed as a form of economic rent to the degree. If, however, the MBA degree is not the only ticket of entry into these high-paying jobs, then an estimated ROI that includes this filtering effect overestimates the true return to the MBA degree.

Estimating comparative ROIs for different graduate schools based on the salaries of graduates five years after receipt of the degree forms the basis for one of the more systematic of the rankings discussed in more detail in Chapters 6 and 7. Certainly, this technique highlights the fact that this investment has highly variable costs associated with it. It also takes specific account of the potentially largest educational expense in a full- time program: foregone earnings. Of course, this is a major decision point for many who opt for a part-time program, especially if it allows them to continue their job full throttle or with minor modifications, thus earning a regular income while pursuing the MBA. It is difficult if not impossible to do this in a full-time program and thus any consideration of ROI has to factor in the foregone income. At the same time, the *Forbes* formula is focused strictly on financial costs and returns in a relatively short-term time frame. Thus, as one considers the financial costs and benefits that are included in the ROI, it is therefore instructive to consider what is included in the calculations behind the recent *Forbes* ROI calculations and what is not.[5]

The calculations in the *Forbes* study are based on a survey sent to the MBA graduates of the class of 2000 from both full-time and part-time programs. The graduates were asked to report their pre-MBA salaries and their compensation for three of the first five years after they received their degrees. Comparisons of the gains from the degree were made pretax but adjusting for the time value of money and opportunity costs by comparing post-MBA compensation with what they would have earned at their pre-MBA salaries and their opportunity costs (tuition and foregone earnings for full-time students). Measuring MBA returns in this way avoids several serious sources of bias. Comparing pre- and post-MBA compensation avoids attributing the effects of innate ability as well as prior training and experience to the receipt of the MBA. Similarly, taking account of several years of post-MBA compensation gives an indication of the trend of earnings rather than a more inflated and potentially transitory measure, starting salaries.

Though the estimates of ROI in the *Forbes* study are reported separately for full- and part-time students, a comparison of the tables illustrates the impact of foregone earnings on the cost of the degree. (Table 8.1 displays this information for the top-ten full-time programs and the top-ten part-time programs and, when available, the rankings for both programs within the same school.) The reported five-year gain (net of tuition and foregone earnings) for part-time graduates of NYU (Stern) is \$166,000, whereas the gain for full-time graduates at \$102,000 is 39 percent less. Similarly, the net five-year gain for part-time students in UCLA (Anderson) is \$145,000, whereas the net gain for full-time graduates at \$91,000 is 37 percent less. Moreover, the cost of the part-time degree is probably overestimated because it does not account for employers' tuition remission programs, which may cover part or even all of tuition. Although calculations of this nature provide a more objective comparison of the impact of the investment in an MBA degree on the earning prospects of the graduates, serious omissions remain. If, as we argue, the MBA offers significant opportunities that would not otherwise be readily available, the benefits to be realized may accrue over a lifetime. Certainly the five-year time frame included in these calculations is too short a period to take into account these other opportunities. Similarly, if the MBA is a ticket to a career in business management, it can be expected not only to result in higher earnings but also to open doors to different career paths and faster ladders to success. The benefits from these opportunities will not be fully realized in the immediate postdegree period but will accrue over a lifetime career. To take full account of such returns from the investment in the MBA in a world in which business education has been changing as dramatically as business itself would require a longitudinal study tracking graduates over a career against an appropriate control group.

A VIEW TOWARD THE LONG TERM

Although the anticipated ROI in financial terms that awaits the MBA graduate is an important consideration when deciding whether to make this investment

TABLE 8.1. Select Rankings on ROI

Rank	Full-Time 2004 School	5-Year Net Gain (000s)	(000s)	Salary Pre-MBA (000s)	Rank	Part-Time 2004 School	5-Year Net Gain (000s)	(000s)	Salary Pre-MBA (000s)
1	Dartmouth (Tuck)	$134	$54	$165		—			
2	PA (Wharton)	129	64	177		—			
3	Chicago	121	60	164	3	Chicago	$129	$70	$140
4	Columbia	120	57	160		—			
5	Yale	119	46	134		—			
6	Stanford	115	58	160		—			
7	Harvard	113	62	180		—			
8	VA (Darden)	113	52	139		—			
9	Cornell (Johnson)	112	44	135		—			
10	NW (Kellogg)	104	53	143	4	NW (Kellogg)	127	67	153
13	NYU (Stern)	102	55	150	1	NYU (Stern)	166	63	169
19	UCLA (Anderson)	91	56	137	2	UCLA (Anderson)	145	71	158
29	MD (Smith)	80	41	97	7	MD (Smith)	117	54	125
31	SMU (Cox)	78	43	103	10	SMU (Cox)	109	57	120
	—				5	Michigan (Ross)	120	63	120
	—				6	MN (Carlson)	120	49	110
	—				8	Carnegie Mellon	113	55	112
	—				9	Fordham	111	58	135

Source: "Best Business Schools Part-Time Fever," *Forbes* (September 5, 2005), pp. 150, 152.

in the individual's personal portfolio, it should not be the only or even the major influence. The ROI, as estimated a few years after graduation, only indirectly measures the elements that are central to the AACSB accreditation standards by which business schools assess themselves—such as the quality of the faculty or of the curriculum, the staff support for students and faculty, the learning goals of the program, and so on. The impact of these factors is more likely to be realized over a much longer time horizon. Certainly if the program influences the ways students think and act, the impact of these changes will be realized over a career. This is especially true in a time of dynamic change when business schools are both maintaining the quality of their programs and anticipating the future needs of business. The short-term ROI instead will be most influenced by the industry mix and location of the positions the graduates enter. If expenditures within a school are targeted to maximize the short-term ROI, learning may suffer. And the ROI will not measure the consumption value of the educational experience or the personal satisfaction the MBA can anticipate in his or her career.

Two business faculty members, Antony Davies and Thomas W. Cline, used a somewhat longer period of data (1993–2001) to project the lifetime economic benefits of an MBA—in terms of starting salaries, compensation growth, long-term employment, and likelihood of participating in the workforce—in a recent article adapted from a lecture they had given to government policy makers.[6] Their estimates suggested an annual rate of return that exceeded nearly every other possible financial investment (CDs, T bills, S&P 500, etc.) and an average lifetime earning power $550,000 greater than the average college graduate. Although Davies and Cline concede that not all MBAs will realize these benefits, they viewed the findings as strong confirmation of the attraction of the degree. While we certainly share their appreciation for the MBA, we would view the estimates with great caution. The 1990s were peak years for the MBA market in terms of both salary growth and job opportunities, and the estimated benefits may be inflated as a consequence. Indeed the job market in the 1990s was very different from today's and patterns observed then may not be good predictors for the future.

In a recent study, business educators Terri Carmichael and M. Sutherland suggested a much more holistic approach to calculating the ROI of an MBA, giving full consideration to both financial and nonfinancial costs and benefits. Taking an exploratory look based on the perceptions of the graduates of South Africa's respected Wits Business School at the University of the Witwatersrand, they suggest that students be viewed as stakeholders in a transformational process rather than as customers:

> . . . students are putting themselves through a transformation process in order to be educated. They have certain cost inputs to this process, some of which may be measured financially. Others that are less definable, but nonetheless important, include time pressure, stress, and relationship

> deterioration. Their objective in undertaking the course of study is linked to the benefits that they anticipate receiving as a result of their efforts. . . .[7]

The transformation of the student "stakeholder" occurs in the program through the activities of faculty and others who enable the students to develop relevant "applied competencies" as well as a "broader worldview, insight and wisdom."[8] This framework to evaluate the ROI of an MBA is much more consistent with the way business schools assess themselves through the AACSB accreditation process. This view would also suggest that the benefits of an MBA will be realized over an entire career. The student is an active stakeholder in the entire transformational process, whose inputs bear both financial and nonfinancial costs. The outcomes for the graduate have both financialand nonfinancial benefits. However, these outcomes are not an automatic consequence of the receipt of the degree.

> The enhanced benefits are unlikely to materialize without improved performance, and it is suggested that MBA graduates be particularly aware that competence is not the same as performance, but that competence leads to performance. The degree certificate is not sufficient on its own to bring enhanced benefits; there is much work to be done once this has been achieved.[9]

THE HUMAN CALCULUS AND ROI

Clearly there are rational ways to consider the possible economic advantage that an MBA might bring, drawing on studies like those conducted by *Forbes* and the South African researchers, financial gains over a five-year period less costs incurred, and income foregone, but there is no fail-safe way to calculate financial gain over a career or lifetime, except by careful contemplation of the many considerations that factor into the benefits one derives from a career. Some of them are clearly financial, and these presumably can be compared with compensation received by others in the same field or in other career patterns. What is incalculable is what kinds of relationships were forged in an MBA program: what one learned, whom one met or learned about that was the basis for a decision or a job opportunity. The financier George Soros credits study at the London School of Economics and Political Science (though alas not in an MBA program) for giving him a larger picture of the economic world in which he would later triumph. Of course, there is ample evidence that, in general, education has economic advantage and people with advanced degrees earn more than those who do not have them. Although it is useful to look at data from MBA programs touting their advantages—or magazine estimates of the same—believing it without qualification would be silly for truly no one knows the answer to the question raised by the aspiring MBA: "Will I make more money if I do this degree?" The only honest answer is "It depends," and it depends first and foremost on the individuals and their own resourcefulness in the way they both deploy what they have learned in an MBA program and how they use the human connections they have made. Ultimately personal satisfaction is central to any attempted coldhearted calculation of ROI, though it is important to answer the question and consider the importance of wealth in one's life. The track record of MBA programs in connecting their graduates with well-compensated entry-level jobs is well documented and there is no reason to believe that this pattern will not continue. Nevertheless, it is to be hoped that, like Charlie Chaplin, the individual who pursues the MBA for the money will find that the art of management will grow out of it and thus realize the classical definition of happiness: the full use of one's abilities in the pursuit of excellence.

CHAPTER 9

CAREER SUCCESS AND PERSONAL SATISFACTION

Any search for the best business school inevitably encounters contradictory information about the value of the MBA degree, ranging from those who say it is nearly a necessity for a successful business career, to others who have doubts about whether it is worth doing at all. Ironically, both enthusiasts and detractors are likely to come from or work in business schools, which raises the question—why the conflict more than one hundred years after the MBA was invented at the University of Pennsylvania? One explanation is fairly simple: Although the vast majority of business school graduates do go into business, most of the people working in business in professional or managerial roles don't have the MBA themselves. And as we mentioned earlier, any occupation or profession that does not formally require a particular credential or a course of study naturally attracts skeptics. Although there is no question that lawyers and doctors, respectively, must have JDs or MDs in order to practice their professions, business professionals face no such requirement.

Some of the world's most successful businesspeople did not attend business school, including Bill Gates, Steve Jobs, Michael Dell, and Larry Ellison. Even among MBAs some of the most admired business leaders do not themselves have the degree. A 2003 national survey of MBAs from the class of 1992, taken a decade after graduation, listed as the "most admired business leaders" the likes of Warren Buffett, Herb Kelleher, Michael Dell, Bill Gates, Jack Welch, and Oprah Winfrey, only one of whom (Buffett) had actually earned an MBA degree. As for business leaders, a 2005 study conducted by the executive search firm Spencer Stuart, reported that nationwide 38 percent of CEOs in Standard & Poor's 500 companies have an MBA, whereas 29 percent have an advanced degree in a field other than business, such as engineering, law, or others. The Spencer Stuart study also noted that the MBA seems more important in some regions of the United States than in others.

CEOs with MBAs by Region of the United States

New England	51%
Mountain states	45%
Midwest	43%
Mid-Atlantic	40%
South	35%
Southwest	31%
Pacific Coast (+ AK, HI)	30%

Source: http://www.spencerstuart.com/research/articles/876

Virtually all business schools assume the MBA degree has value—and have evidence to prove it. They draw on surveys of alumni, experience with the business community, as well as various prestige ratings, some of which cite the MBA and the law degree (JD or LLB) as the most useful and valuable graduate degree a person can acquire to advance his or her career and achieve a leadership role. Indeed, the MBA is often cited as a ladder to success, one that provides both essential training for management (dealing with business complexity) and ultimately leadership (navigating the larger business environment). In an influential article, Professor Jeffrey Pfeffer of Stanford's Graduate School of Business famously said there is no measure of the long-term value of the MBA—none that meets a rigorous research sniff test anyway. In "The End of Business Schools? Less Success than Meets the Eye," published in *Learning & Education*, a journal of the Academy of Management, he suggested that MBA graduates may be no more successful than business leaders with other backgrounds. As he put it, "What matters over time is not where you come from or who you once knew. What matters is what you can do."[1] Pfeffer's analysis was no mere polemic, but based on a careful review of forty years of research on the economic value of the MBA, something we commented on in Chapter 8. This familiar theme is sounded by other MBA critics who argue that business school education is disconnected from the real world, though ironically many of these critics are themselves happily ensconced as members of business school faculties, thus suggesting more than a measure of self-criticism. After all, if MBA training is, in their view, too distant from business itself, whose fault can that be?

WHAT'S AN MBA REALLY WORTH?

In a response to the Pfeffer critique, came a blockbuster *BusinessWeek* cover story in 2004 titled "What's an MBA Really Worth? which presented data from its B-school alumni study that reported high levels of career satisfaction and a positively bullish attitude about the worth of the MBA. Looking at the MBA through the eyes of alumni ten years after graduation, when their lives and careers have had time to evolve and mature, the report found the MBA to be highly desirable. The report gushed on, suggesting

> That the MBA is worth a lot. Sure it's not a perfect degree. It's not always good for all the things it sets out to teach. But in an increasingly credential-crazed society, it definitely opens doors—and graduates walk through them with a high level of confidence. What's more, the data depict a managerial class that's in a truly commanding position. Their salaries and bonuses are hefty and they occupy, after only a decade, top posts in their companies. They are an enterprising lot, an entire cohort of ambitious men and women who have started hundreds of companies and created nearly 100,000 jobs—a surprising record from a group often derided as better at bean counting and consulting than actually doing anything.[2]

The Graduate Management Admissions Council conducted a satisfaction survey with MBA graduates about the time of the *BusinessWeek* cover story and also reported a glowing assessment of the degree (and B-school experience) with 67 percent saying the value of the MBA was outstanding, 22 percent rating it as good, 9 percent fair, and only 2 percent saying it was poor.[3] Just what satisfies MBA graduates has long been the topic of debate with echoes of cynicism conjuring up unflattering images. Some of these critiques bluntly suggest that these factors are most important to the care and feeding of happy MBA students:

- attractive, even lush physical plants;
- a light workload in required and elective courses;
- easy grading.

Not so, says the Student Satisfaction Project of the AACSB/EBI, in a comprehensive look at the MBA experience, which asked 120 questions using a seven-point Likert scale. This study began with three basic questions, namely

- To what extent did your MBA fulfill your expectations?
- When you compare the total expense to the quality of education, how do you rate the value of the investment you made in the MBA program?
- How inclined are you to recommend your MBA program to a close friend?

The study dispelled myths about MBA programs such as courting students with superficial, hedonistic interests because educational quality emerged as the most important predictor of student satisfaction. The study first reported in 1997 also gave business schools cues about how they should allocate their resources for maximum impact.[4]

Here's how MBA graduates evaluated what was important and determinative to them in meeting their educational expectations.

Predictors of Overall Student Satisfaction in Full-Time MBA Programs

Major Predictors

- Quality of faculty and instruction for required MBA courses
- Quality of placement and career services
- Teamwork, academic quality of camaraderie of students
- Access, responsiveness, and leadership of the eean
- Student organizations and extracurricular activities

Minor Predictors

- Quality of faculty and instruction for elective MBA courses
- Quality of computing facilities
- Quality of faculty and nonfaculty student advising
- Students' GMAT score
- Students' work experience
- Program diversity (minority and international students)

Predictors with No Impact

- Quality of classroom facilities
- MBA students' grade-point average
- MBA students' work experience
- Workload for required courses
- Workload for elective courses

Source: "Study Dispels Myths of What Influences Student Satisfaction in Full-time MBA Programs," *Newsline* (spring 1997), p. 1.

So, what does student satisfaction have to do with the value of the MBA? Plenty. It feeds into rankings, which are fodder for recruiters and employers, which contributes to the reputation of particular schools and the perceived value of the MBA more generally.

PERCEIVED VALUE OF THE MBA

Before 2000, an individual's decision to pursue an MBA was almost universally applauded as one that "would almost certainly lead to prestige and prosperity,"[5] according to Steve McCormack, writing in Britain's newspaper *The Independent*. But, as the degree got more popular and new programs proliferated, employers now besieged with hordes of applicants became more discerning and began to ask, "Which MBA?" "From where?" "Involving what special training?" and other questions. Paul Dolan of the Sainsbury Management Fellows Society noted that "twenty years ago an MBA differentiated you from the pack and was the thing that got you the top job. Today, if you don't have one, you're unlikely to get into senior management, but it will no longer, on its own, guarantee success."[6] Although some observers acknowledge the MBA as "the Microsoft Windows" of business qualifications, there were periods in the early years of the twenty-first century when some MBAs had difficulty finding jobs, at least for a time. By 2005, however, McCormack could rightly assert, "an MBA is still worth doing, but only if it's the right one in the right place for where you are in your professional and business life." In 2002, for example, a downturn in the economy accompanied by massive layoffs and, not incidentally, at a time when there were high-profile corporate scandals led "many to question the value of the MBA,"[7] according to Stephen B. Shepard, then editor-in-chief of *BusinessWeek*. Two years later, he could assert confidentially "to the relief of thousands of newly minted MBAs, the class of 2004 graduated into a vastly improved job market compared with their 2002 counterparts."[8] A closer look at just what that meant provides a more discerning analysis of how MBAs are being used and for what. The Graduate Management Admissions Council (GMAC) reported in 2004 that the majority of those graduating with an MBA that year used their new degree "to switch industries or job functions." That meant that the MBA was meeting the test of a new global metric—a degree that has value all over the world, according to David A. Wilson of GMAC, who said, "In an era when people don't tend to stay with one company or job track for their entire career, the MBA is allowing them to take control of their careers and change course when they want or need to."[9] In a study of 6,223 MBA graduates from 128 schools in 16 countries, respondents rated the value of the MBA "high" relative to the cost of the degree, with 58 percent agreeing that the MBA was an excellent or outstanding value, whereas 30 percent said it was "good." Some 94 percent said they'd recommend their own school to a friend. And not unnoticed was the finding that the average MBA expected to get a 35 percent increase in salary as a result of the degree. Notably, 31 percent of those in this study preferred jobs in finance, whereas 24 percent mentioned marketing or sales positions. Ultimately, the value of the MBA is personal, as Jeff Pillet-Shore, a graduate of USC's Marshall School of Business, wrote:

> If it weren't for my MBA, I wouldn't have spent time at work picking out baby clothes. Let me clarify: if it weren't for my MBA, I wouldn't have had a shot at a brand management internship. And then, I wouldn't be working on a relationship management program. And then, I wouldn't be responsible for leading photo shoots for my new employer. And then I certainly wouldn't be selecting the most perfect clothes (from a brand management standpoint) from an entire rack of adorable little outfits.[10]

Another former MBA student, John Bishop of Salomon Smith Barney's investment banking division, touted his experience at the Wharton School Business, which he called "one of the best personal and professional decisions I have made," adding:

> While an MBA is not a requirement for a successful career in business, it is a very enriching education that will likely open many doors to your career. Certain individuals, such as those focused on a specific career path, may not benefit from the 12–24 months that is required by the MBA, but most young professionals who may not be convinced they have found their life-long vocation will benefit from the wealth of opportunities provided by the degree. The MBA experience is more than just academic learning. It expands both personal and professional networks, gives one a chance to reflect on his/her career to date, and provides the opportunity to test theories and skills in a relatively risk free environment . . . .[11]

Less sanguine was a University of Kentucky graduate, identified simply as "Rob" on the blog BusinessPundit.com, who did a dual-degree program combining business with engineering and complained about the comparative lack of rigor in the MBA courses:

> So what was lacking in my MBA program? Unconventional thinking. Variety. Substance. Sure I learned how to keep books, how to evaluate risk and return, how to motivate employees and all about the four Ps of marketing. But a lot of that is bullshit. It is not what running a business is all about. It is really about making good, fast decisions with limited information. . . . Everyone [in my program] wanted to get an MBA so they could be in upper middle management. I wanted to do my own thing. There isn't anything wrong with what they wanted (I can vouch that starting a business is not for everyone), but that may explain why I didn't feel it prepared me well for my future.[12]

As noted earlier, MBA graduate satisfaction is actually quite high, and even the detractor quoted above might have been happier with his experience had he enrolled in an MBA program with an entrepreneurship specialty. Many MBA graduates come from specific business sectors such as finance or accounting, and the MBAs can accelerate and enhance their careers; others are crossing over to a new business field or function; whereas still others are strengthening their credentials for management and leadership roles in business-related fields such as biotechnology, media industries, or pharmaceuticals, all of which value the MBA. The trade journal *PR Newswire* pondered this, asking, "Sure, it'll stroke your ego, but does an MBA boost your PR profile?"[13] The answer: a qualified, yes, with considerable evidence that the MBA does give "added sails" to a career in corporate communications; "whether it is worth it depends on your ambitions," the article asserted. "Corporate clients are the ones most likely to appreciate business savvy possessed by an MBA graduate, so PR professionals who expect to interface with corporate execs stand to benefit the most." One PR professional who wanted to establish a corporate and financial communications practice, reported that she earned an MBA at Columbia that "made all the difference" in a career in which she has daily contact with leading corporate executives who appreciate that she understands them and "speaks the same language." This is one of the most valuable aspects of the MBA program, many graduates assert. Understanding business terms and jargon, including what has been called "consultant speak," referring to the terminology and language of management consultants is essential to communicate effectively in the commercial world, as unfortunate as that may be for those who decry the increasing specialization and inaccessibility of language that is difficult for laypeople to understand. This may be especially important to those coming to business from other fields. Crossover examples from other fields are legion—managing directors of law firms with MBAs, group vice presidents in broadcasting companies, CEOs of agribusiness firms, heads of high-tech companies, and many others. Business is itself a field of study organized around particular disciplines, but it also provides the framework and methods for monitoring all sorts of commercial enterprises, many of which heretofore had little experience with the MBA.

EMPLOYERS WEIGH IN TOO

Earlier, we made reference to the growing appeal of the MBA degree in the nonprofit world that is learning to value the strategic, financial, and marketing analytic tools that business schools provide. At one time, any nexus between business education and the nonprofit world was a matter of individual adaptation because business schools either ignored or sniffed at this sector, assuming its compensation was too low to interest MBAs. Not so today. Business schools offer courses and even specialty degree programs in social entrepreneurship and nonprofit management, sometimes in collaboration with medical, public health school, education, nursing, and social work schools, among others.

Of course, government, the founding pillar of the public sector, also increasingly seeks out MBAs across many departments and agencies, not just the obvious ones like the Internal Revenue Service and the Securities and Exchange Commission or the FBI, which has always valued MBAs in accounting. Even the CIA looks for MBAs; as its recruitment chief, Harold Tate, says, "The discipline in terms of being able to problem-solve or make quick, sound decisions based on little information takes a kind of mental agility that many MBA holders have."[14]

Arguments over the value of the MBA is most heated among graduates themselves when they encounter critics who doubt its value. They are quick to respond to business leaders and professors who have complained about the degree's shortcomings. On one web site at which a debate ensued, a blogger identified as "Sugarmama" commented, "Some folks say it's useless, some folks say certain schools are useless, and some people consider it . . . completely useful." Her opinion: "I wouldn't be pursing the degree if I thought it were useless. The problem is that too many people become disappointed when they discover that their MBA did not lead them to the pathway to riches. That is not the purpose of an MBA degree . . . a degree of any kind is a tool."[15] Like many in business, she argued that individual motivation, contacts, personal creativity, and luck play a vital role for anyone in business. Others have likened the degree to sleek running shoes that make all the difference in a race or even in recreational jogging and walking as Nike and other shoemakers have discovered. Another blogger said, "It is really about making good fast decisions with limited information" as the MBA "tends to cultivate an ideal of rational decision-making that simply does not capture what the real world is like." He worried, though, that MBA programs are wedded to images of a "business culture that seems mired in abstractions about best practice."[16] Again and again, MBA holders commenting on their degrees praised programs in which professors were wired into business by dint of consulting or having management jobs prior to their teaching careers. One MBA from Georgia State in Atlanta recalled that his school encouraged its faculty to maintain ties with business "so our profs were often teaching after spending the day at Coke, Georgia Pacific or other firms. We got a lot of 'how it really works' type of feedback from them. But we also had our fair share of lifetime academics who didn't have a clue about the real world." And while praising what he said was "a valuable learning experience," this individual seemed to join the ingrate crowd saying, "I'm not sure it has done anything significant for my career." The controversy over how much professional experience faculty members should have and to what extent programs ought to emulate business as it is today versus a model based on future forecasting is at the heart of concern about assessing the value of the MBA. Some say that connections to the real world of business is good for short-term success, getting the entry-level job, or networking, but that long-term programs should rise above the current state of the economy. As one student told us, "If I wanted a real time business experience, I'd have stayed on the job and read the *Wall Street Journal*, but that's not what I wanted, I wanted to prepare for the future—to understand the larger forces that will likely shape business which is something that you don't deal with day to day on the job." Others complain that MBA programs are so close to business and business values that they often miss other social and demographic trends that they need to know about. With studies confirming that women are still discriminated against in business and that the glass ceiling still prevails, business schools are criticized for doing too little to prepare women for the present reality of the market—and for changes likely to come.

In the end, there may be a profound difference between the musings of recent MBAs whose judgments are strongly influenced by their first job or fresh memories of classes (and professors) whose value they doubted and those who have been out of school longer. That's why studies of graduates ten years out who may have experienced the second or third job have a texture and context not found among more volatile bloggers. The aforementioned *BusinessWeek* study of the class of 1992, published in 2003, had the benefit of time and wisdom. *BW* discovered a managerial class truly in commanding positions with high salaries and ambitions fulfilled. And as the report put it:
"Overwhelmingly they agree that earning the degree was worth it" with 89 percent saying getting an MBA had been a good decision and a remarkable 80 percent saying they would attend the same school again. Another service business schools render that is often overlooked is helping alumni find jobs years after graduation. In an uncertain world, business schools often scramble "to help their displaced alumni navigate shaky economic times,"[17] writes Karen Alexander in the *New York Times*. She quotes Walter Shill, a management consultant and graduate of Virginia's Darden School of Business, who likens the MBA to buying a car because it has to work for you long after you drive off the dealership lot. "These days," he says, "if you're buying a car, you're buying a 100,000-mile or 5 or 10 year warranty. You're not going to learn everything you need to know in the first few years out of business school. I think of the career services the way I think of continuing education. It's like going for a tune-up." A homely analogy, perhaps, but another indication of the multiple factors that go into calculating the ultimate worth of the MBA.

WHAT MBAS ADD TO BUSINESS

Like students, employers—some of whom are themselves products of MBA programs—have mixed feelings about the virtues of the degree, but few advocate its elimination. A Morgan Stanley executive who does firm-wide resourcing in Europe, Joanne Scott, said, "We've always seen the value of recruiting MBA graduates because they add diversity to the organization, particularly those who have switched careers and bring experience from another background."[18] A Goldman Sachs recruiter added that the value of the MBA depends on the person: "Some MBA students have come from the finance sector and want to step out for a year to think about the world in a different way, so they know what we're about." A commentator in *Investor's Business Daily* warned MBAs not to "discount real world experience," adding that "an MBA doesn't guarantee you'll be raking in millions and fielding job offers by the dozens."[19] And there is always the caution that some of the most notable business leaders never went near a business school, often mentioning Bill Gates who dropped out of Harvard as an undergraduate. Another somewhat whimsical but also serious "ranking" of the top-ten MBAs who "added value to the world" is taken from the site of a blogger who tracks MBA programs. The ranking, based apparently on a knowledgeable sample of one, lists Steve Ballmer, CEO of Microsoft as number-three, though he actually dropped out of Stanford's MBA program after only a few months. Another "MBA" given honorable mention was Stanford's legendary B-school dean, Arjay Miller, who was a Ph.D. dropout at Berkeley, not an MBA holder. Others on the list include Fred Smith, who gathered the greatest amount of venture capital ever when founding Federal Express, and the brokerage pioneer Charles Schwab. Demonstrating that MBAs are not always predictable, the list includes "Dilbert" cartoonist Scott Adams and *Car Talk* co-host Tom "Clack" Magliozzi. Among the honorable mentions is George W. Bush, the first MBA president. As we note elsewhere in the book, increasingly CEOs are coming from other than Ivy League universities, though that is not the case with this idiosyncratic, but amusing, list.[20]

And to be sure, there is more anti-MBA sentiment among business leaders and employers during financial hard times. That's when they ask for justification of the value of the degree, both in hiring and in funding employees who return to school, either in a part-time program or a weekend EMBA or even in one delivered online. Here the rubber hits the road when the employer must decide whether the investment is worth it. Naturally, tough questions are asked, and employees with MBA training versus those who lack it are often compared. In all of this there is also a bias among some employers who do not themselves have an MBA and thus might value it less. Studies show, though, that the opposite is also true.

One test of the perceived value of MBA programs is seen in the number of executives who do not themselves have MBAs, but who hire them nonetheless. One who did that and subsequently returned to school to get an executive MBA at Vanderbilt, Kerry Fehrenbach of Intergraph Corporation in Huntsville, Alabama, said she was motivated by the need for a broader business experience—"to help me do the job I do better" and, not incidentally, "to look for promotion opportunities."[21]

Although some employers argue that growing their own managers and executives might ideally be preferred, that's a costly enterprise. They'd rather take advantage of the "screening" already done by quality business schools: first in selecting intelligent, promising, and motivated students, and second by inculcating them with business knowledge. The CEO of Carolina Tractor in Charlotte, North Carolina, Ed Weisiger, for example, fully understands the anti-MBA sentiment, saying, "it's not the value of the degree—it's getting sharp people together and letting them interact. It's not the curriculum. It's the people on the left and right and the one in front of you (the professor)."[22]

Amid persistent rumbles, especially in banking circles, the conflict over who makes the best employee—one capable of moving instantly into demanding work—some executives say they'd prefer to have a specialist in sector knowledge first and an MBA second. This raises the question as to whether one should get specialized knowledge and experience first and business expertise subsequently. Many firms don't have that luxury, of course, and opt to hire MBAs whom they train in their specific field. A *Financial Post* survey in Canada asked this question and learned that nearly half of Canadian business leaders interviewed think MBA graduates are no more qualified than other top people from sector-specific fields. However, they also see the importance of the MBA for their business and those of others. On a 100-point scale (100 being best), employers gave high marks to MBAs for their knowledge of finance (71percent), information technology expertise (69 percent), commitment to hard work (68 percent), knowledge of electronic business (67 percent), and written communication skills. MBAs did less well on interpersonal skills (50 percent), understanding of specific industries (54 percent), and international business (61 percent).[23] Outside this study, other executives expressed concern and dismay about business schools' lack of attention to ethics, a topic that gained considerable momentum after a raft of celebrated corporate scandals from Exxon to WorldCom. Among those critical of B-schools' alleged lack of attention to ethics is David Wilson, CEO and president of GMAC, who complained that "we haven't seen substantial change that has any staying power at business schools,"[24] and added, "if business schools are going to get into [teaching] ethics, it has to be embedded throughout the curriculum in every course they teach."[25]

Those who connect women's issues with ethics also argue that business schools are too accepting of immoral and unethical practices in the outside world, preferring to ignore them rather than cope with them. Roger Eglin, writing in the *Sunday Times* of London, said that "many MBA courses seem to have a sexist slant and fail to reflect the changes in modern style" and mentioned a university professor who said "MBA courses were largely focused on skills and values that are out of touch with today's workplace," but added that "women find that having an MBA is a valuable way of overcoming male dominance." He explained: "The value of the MBA may be greater for women because they gain the credibility to be a successful manager in what can still be seen as a man's world, and because they overcome lack of confidence."[26]

ACCEPTING AND VALUING THE DEGREE

For all their misgivings about and criticisms of business schools, most employers accept and value the degree, which represents a systematic approach to business with attendant analytical skills and a capacity to solve problems and work with people. The nature, scope, and specifics or MBA programs are well known and well codified with less variation than many other professional degrees in practice-oriented fields. And if business is generally accepting of, if not totally enamored with, the MBA—which comes in for its share of blame during economic downturns, corporate scandals, and other negative business news—it

TABLE 9.1. Amenities in Business School Facilities

Amenity	Percent of Facilities with Amenity
Academic advising office	82.5
Research centers/institutes	76.1
Atrium/communal space	76.1
Academic support office	71.0
Student organization office rooms	65.0
Business programs admissions office	59.3
Serving facilities	41.7
Career services	39.9
Food service	38.7
Snack bar and grill	35.0
Trading room	28.3
Business center for recruiters	23.5
Business library	23.4
Business center for students	22.6
Full kitchen	19.2
Lodging	5.8

Source: AACSB *Pocket Guide to Business Schools*, AACSB International, Tampa, FL, 2005, p. 40.

is worth noting that the degree is attracting attention in other quarters. In an earlier chapter, we mentioned that the nonprofit world, in need of better organization and business discipline, is seeking MBAs and orienting them to a world without shareholders and profits.

So, in spite of misgivings in some quarters and a genuine belief that the MBA may need structural, curricular, and other reforms, the continuity of MBA programs has won plaudits from both their own graduates, employers in business, and other sectors increasingly as well. That bodes well, but also contains a cautionary tale that, as always, a discerning assessment of attitudes toward the MBA in one's specified field—or with a chosen employer—can be important. However, the vote of confidence in the MBA is conditional. MBA programs will have to change more in the decade ahead than at any time since the 1960s. The changes wrought by globalization and the digital society are not cosmetic and are not merely subsets of what has traditionally been taught. At the same time business schools, like universities themselves, need to protect their essential core disciplines and values, and their ability to sort out what will be important over the long haul. They must not simply be slavishly responsive to the phenomenon of rankings or student consumerism.

CHAPTER 10

A PORTFOLIO FOR THE FUTURE

After a certain age, almost everyone is familiar with the investment portfolio, whether that involves the parsing of exceptional wealth for the best return or simply making allocations in a retirement program such as a 401(k). What should be the mix of stocks and bonds, real estate, and other options to chart one's financial future? The considerations that go into such a formulation depend on how much money a person has as well as his or her relative age. What you do in your twenties will differ from the investment strategy that seems appropriate decades later. Questions rise about relative risk—and what are the best investment instruments and pathways to maximize return on investment to plan for the short term and the long haul. Rarely do individuals use the same careful, methodological approach to planning their lives—including their careers and personal lives—as they navigate a world filled with uncertain elements. Many people we interviewed readily admit that they sort of "fell into" their careers, beginning with guidance from their families, opportunities that arose through personal contacts and chance meetings, as well as more purposeful educational planning. One does not fall into a life in the law or medicine, which requires specific educational credentials, typically achieved well before early middle age. But, as we have discussed, business is not nearly so rigid with many potential options for the interface between formal education and on-the-job experience.

About one thing we are bullish: We believe that the purposeful, strategic approach to education is not only warranted but also essential. There are exceptions but we believe that the MBA is the best-defined path to a business career. Further, it is clear that there is an optimum age for pursuing an MBA, usually one's late twenties to mid-thirties. The window of opportunity for later admission to business school is somewhat limited, though there are occasional exceptions. Once the MBA student begins his or her program, choices about majors and concentrations must be made quickly and so must enrichment opportunities provided by special programs, field studies, internships, and so forth. Added to these selections is making the best faculty choices. Forging relationships with professors, fellow students, recruiters, and others will also be crucial. In the midst of this fast-paced life, it is possible to follow the path of least resistance, taking core courses and unimaginatively picking a major and checking off the requirements, or one can do something bolder that will open more options—and provide a whole range of choices as MBA students invent their educational selves. This involves connecting the investment portfolio strategy to one's educational program, as we discuss later. If real estate is always about location, location, and location, the MBA program is about choice, choice, and more choice.

MANAGING ONE'S HUMAN CAPITAL

In the business environment of the twenty-first century, individuals need to take responsibility for themselves and their own careers. This means managing their own human capital investments, keeping themselves continually employable, and anticipating business needs and opportunities. To the prospective MBA student the message is unmistakable: Invest in yourself; build your human capital assets as carefully as you would invest in the market. This is a very powerful concept for the prospective student: Invest in yourself. Every individual bears the risk for the investment decisions he or she makes and reaps the rewards these investments generate. If, as we observed in Chapter 4, an individual has decided to pursue one of the more flexible MBA programs that allows them to personalize a plan for their own of studies and experience, a portfolio of one's own human capital investments, how should that process begin?

What we are suggesting here is adapting modern portfolio theory, also known as portfolio theory, to one's life and career in the field of business. The idea of portfolio theory, first introduced by economist Harry Markowitz in the *Journal of Finance* in 1952, proposed a course by which risk-averse investors could construct their own portfolios in order to optimize market risk for expected return. The theory suggests that risk is an inherent part of higher reward. Before Markowitz wrote his now famous paper, "Portfolio Selection," the standard investment advice simply involved picking securities that offered the best opportunities for gain with the least risk and constructing a portfolio from them. In this system an investor could easily conclude that particular stocks, say auto manufacturers, had good risk–reward characteristics and select a portfolio entirely from these. Markowitz argued that this was counterintuitive, and using the mathematics of diversification, he proposed a system wherein investors select securities based on overall risk–reward characteristics instead of creating a portfolio in which individual stocks have attractive risk–reward characteristics. In effect, he argued that investors should select portfolios not individual securities.

Ultimately, as modern portfolio theory developed, it centered on four steps for portfolio construction including

- security valuation;
- asset allocation;
- portfolio optimization; and
- performance measurement.

Portfolio theory in economics has been well tested and thirty-eight years after Markowitz wrote his first paper, he and two colleagues, Merton Miller and William Sharpe, won the Nobel prize in economics for the theory of portfolio selection. In short, portfolio theory states it is possible to craft an "efficient frontier" of optimal portfolios offering the maximum possible expected return for a given level of risk, or, what is an equivalent definition, the minimum risk for any expected return.[1]

As we suggested earlier, an analogy exists between this thinking in financial terms and planning for one's life and career. Several of the main features of portfolio theory can be applied to human decisions that involve investments of time and money and wherein the risk factors are tied up in one's future. No course of action in planning a career in business is risk free because it is necessary to calibrate the cost of an MBA in terms of income and opportunity gained versus that which is foregone while in school or opportunities passed by because of a career choice in business generally and in specific industry sectors. In this chapter we consider the portfolio approach to MBA education.

In a relatively flexible MBA program, there can seem to be a nearly infinite number of possibilities. The literature on building a portfolio of financial investments is very helpful both in clarifying the rationale for creating a human capital portfolio and in shaping its composition. Indeed, listening to presentations from financial advisers on achieving long-term financial security through the careful structuring of a winning portfolio of assets helped crystallize for one of the authors of this book the analogous concept of building a *portfolio of human capital investments*.[2]

LEARNING FROM INVESTMENT MANAGEMENT

Bernstein Investment Research and Management, now a division of Alliance Capital Management, has had a nearly forty-year history of putting portfolio theory into practice by managing private investors' wealth to "achieve investment success and peace of mind."[3] The engine by which Bernstein has realized its mission over decades of turbulent market conditions has been its research excellence as a means to achieve an "informational advantage" to advance understanding of company earnings and the forces that shape their direction. As the head of that firm put it,

> an especially wise person once said "Knowledge is the best antidote to fear," an emotion more destructive to investment success than any other. Thus, knowing more and using knowledge better link directly to achieving our mission for clients. Indeed *knowing more* and *using knowledge better* define research excellence.[4]

What Lewis Sanders, chairman and CEO of Bernstein, means by "knowing more" is particularly enlightening: He is referring not only to greater depth and scope of knowledge but also to a "focus on *innovation* in order to keep on top of a changing world, and . . . to be more *accurate* more of the time than anyone else."[5]

These same attributes that characterize the research excellence that will shape a portfolio of financial investments can provide the guiding principles to structure a portfolio of human capital investments. The prospective student who decides to pursue an MBA is doing so to enhance his or her career opportunities both now and in the future. The goal is to be "employable" as a manager even though this may mean a succession of positions in different places rather than having one job over a career in the same organization. Keep in mind that this requires thinking about the future, possibly doing a bit of personal forecasting because the career positions one may eventually aspire to may not even exist today, but will grow out of changes in a firm's emphasis, core business, or distribution system, among other factors. In fact, not only the positions but also the organizations may not even exist at the present time but will at some point in the future. Here imagination is a key element. In general terms, employability can be defined formally as

> the capacity and willingness to remain attractive for the labour market (supply factors), by reacting to and anticipating changes in tasks and work environment (demand factors), facilitated by the human resource development instruments available to them (institutions).[6]

Managing an organization is one of the most challenging and difficult of jobs. This is true in profit and nonprofit organizations, in the private and the public sectors. The disastrous experience of Hurricane Katrina in 2005 provided a grim reminder that "management matters."[7] In this instance, the Federal Emergency Management Agency (FEMA), as well as affected state and city governments, failed to respond systematically or with dispatch to the multiple disasters that struck New Orleans and the Gulf states. This was a colossal failure of management, due in large part to lack of planning that resulted in an absence of readily available resources. The catastrophic conditions that followed led to severe criticism of the president of the United States, the governors of two states, and the mayor of New Orleans—and eventually led to the resignation of the FEMA administrator. Ironically, this happened on the watch of America's first MBA-trained president, George W. Bush.

It is reassuring to note that while government did not respond well to this management crisis, business in the form of Wal-Mart, America's largest company, had the right response to these disasters before, during, and after the hurricanes. Beginning six days before the storm hit New Orleans, Wal-Mart's director of business continuity began tracking public and private meteorological forecasts for the path of the storm and shipping key items to distribution centers near the areas projected to be affected by the storm. The items that will be needed are known from studying buying patterns in past hurricane areas. "Loss prevention" teams were sent to stores in the affected areas to protect them from shoplifting and vandalism but also to distribute emergency supplies where needed (for example, water to stranded elderly, bullets and holsters to police and National Guardsmen). As the dimension of the disaster became clear, management recruited volunteers among its truck drivers to distribute emergency supplies to shelters in the flood zone. In a number of instances Wal-Mart trucks arrived several days before either the Red Cross or FEMA ran its own relief efforts. As Philip Capitano, mayor of Kenner, observed, "The Red Cross and FEMA need to take a master class in logistics and mobilization from Wal-Mart."[8] And Wal-Mart cited its experience with supply chain management as well as technology as key factor.

Similarly, the NASD, the world's leading private-sector provider of financial regulatory services, responded to the Katrina disaster, by first assuring the safety and well-being of its employees and their families, securing temporary housing and office space as needed, as well as counseling services and technology packages (lap tops with wifi cards, cell phones, flash drives, blackberries) to enable unbroken communication while also supporting investors and member firms impacted by the disaster before addressing the safe recovery and removal of key files and equipment. NASD established a special web page to provide information and communication to member firms and investors. This page, regularly updated, provided such items as temporary locations and contact information, investor information and fraud alerts, guidance and relief to firms, a bulletin board to locate or donate space, notices on stays in mediation hearings, and so on. NASD's actions in anticipation of this natural disaster, during the storm and in its aftermath, reflected careful continuity planning that was informed by its experience in responding to the 9/11 terrorist attacks. These plans give first priority to the safety of employees in any emergency. Operational continuity is then realized through the activation of well-conceived alternative work sites. All this underscores the profound need for integration of different functions and capabilities that must be adaptable and flexible in the midst of a crisis or emergency, something that is also true for business generally in a changing world, though not with the same urgency as is the case when natural disasters and other unanticipated events command public attention. As Frances Cairncross wrote in *The Company of the Future*, "To run a company [or any other organization] well calls for a rare mix of skills. It requires breadth of vision and attention to detail, toughness and compassion, patience and alacrity, charm and audacity, good health, good sense, and good luck."[9]

At the same time, managers should never count on good luck to fill in the gaps in planning for, as Princeton economist and *New York Times* columnist Paul Krugman has observed, "If good luck is what happens when preparation meets opportunity, bad luck is what happens when lack of preparation meets a challenge."[10]

In building a personal portfolio in preparation for this challenge, the choices made should be informed by depth and breadth of knowledge of the skills, experiences, and contacts necessary to lead organizations now and in the future and to manage all the steps along the way as well as a comprehensive and critical understanding of the student's own background, interests, likes and dislikes, strengths and weaknesses, and how these match with organizational needs. Here, too, research excellence can provide an "informational advantage" in shaping a portfolio of human capital investments.

It is particularly important to avoid an attitude that Sanders calls "anchoring"; that is, "believing that whatever is happening now will keep on happening. If you drive with an eye to the rearview mirror, you'll probably wind up doing the same things that most other people are doing—following trends and jumping on bandwagons."[11] Instead, the lessons one author of this book received when learning to drive a car will keep this tendency in proper balance: When driving, devote equal time to the front windshield, the rearview mirror, and the side view mirror. You will have a better sense of what lies ahead, what you are leaving behind, and what may be about to pass you. In effect, this means having a sense of balance anticipating one's career needs, such as getting adequate preparation in the core business disciplines, including accounting, finance, and management, while, at the same time, acquiring some international/global sophistication and adaptability skills through courses such as cross-cultural communication and negotiation that will build bridges to future business challenges. Thus the core classes will equip the student with the basic competencies necessary to manage a business unit in China, but the cross-cultural training will provide the appreciation for the critical importance for the future success of the enterprise of developing personal knowledge and relationship with employees both in the workplace and outside it. Courses in cross-cultural negotiations will also provide insight into the importance of preserving "face" in any negotiations with the Chinese.

WHY A PORTFOLIO OF HUMAN CAPITAL ASSETS?

Why should a prospective MBA student think in terms of a portfolio of human capital assets rather than focusing on the degree alone? The view of leading strategic thinkers suggests that corporations can be thought of in portfolio terms. As two writers put it in *Competing for the Future*, "It is a view of strategy that recognizes that competition of *core competence* leadership precedes competition for product leadership, and that conceives of the corporation as a portfolio of competencies as well as a portfolio of businesses."[12] And in competition for the future, the firm will be competing for a larger share of the opportunities emerging in markets that may just barely exist.[13] Hamel and Prahalad argue that in order for a firm to compete effectively for the future, it must not only use today's core competencies in new ways but also anticipate and acquire the core competencies of the future. To qualify as a core competency, this bundle of skills must meet three tests: It must make a "disproportionate" contribution to customer value; it must be competitively unique; and it must be extendable to new market areas.[14] For example, the individual student who combines an-depth knowledge of accounting and of information systems not only would be able to access and analyze data to assess financial condition of the reporting entity but also would be able to make judgments on the influence of system flaws and address initiatives to preserve the security of the entity's confidential data.

BEYOND SILOS TO CORE COMPETENCIES

In the information society in which people who produce content and communicate with each other effectively are the key resources of the corporation, the corporation's portfolio of competencies must be derived from the human capital portfolios of the individuals who work there. An agile business does not organize its human resources in *silos*, because most issues in business call for integrative solutions. Moreover, the organization must be able to adapt to changing conditions with existing human resources and not re-staff with every new opportunity. The individuals in question can think of their own portfolios in this way as well: What are their own core competencies, how can they be applied in different career paths, and how should they be enhanced to maintain employability in anticipation of future opportunities?

For banks, breaking down silos has meant moving from banks to banking. As Rusty Wiley, an IBM business consultant to banks, has written, "It's difficult for banks to be efficient and responsive when functions, information and supporting systems are duplicated across product silos." For more than a decade banks built their lines of business around products including CDs, mortgages, and credit cards. But as an IBM web site explains, "product-focused operations have created silos within the enterprise—silos can be clumsy and efficient, adding to costs, and worse frustrating the customer." What to do about it? Break down barriers among business units, merged institutions, and even the bank and the customer. Banks have begun to organize their services by competency, rather than products. For employees this has meant the integration of distribution, manufacturing, processing, insight, risk, and financial management as well as infrastructure. This has truly been a task that called for nimble, adaptable employees capable of integrating activity and working together in a manner not required in the past.[15]

The commentary from key constituency groups—students, employers, and so forth—in the preceding chapter points to a growing realization that although the MBA is still a ticket of entry into a career in business management, it is not the only ticket. The degree will not keep the individual employable as a manager; competency on the job will do that. Core competency will propel that employability into the future. Focusing on the MBA as a portfolio of human capital investments then highlights its role in building a necessary knowledge base, facilitating flexibility, and nurturing innate talents into effective management skills and leadership capacities. It is also consistent with Carmichael and Sutherland's holistic view of the MBA (discussed in Chapter 8), whereby students gain key applied competencies that enable them to deliver an enhanced performance in the workplace. In this view, students gain multiple benefits from the entire process. Focusing on *innovation* in building the portfolio highlights the dynamic nature of the workplace and the importance of being intellectually flexible as a key to lifelong learning. Human capital, like physical capital, depreciates without fresh investments.[16]

How should the prospective student begin planning his or her portfolio of human capital investments? Again the financial literature on the ways to build an investment portfolio for "success and peace of mind" provides a valuable perspective for the human capital portfolio as well. Under the general umbrella of business, many areas of study are possible for the prospective MBA, each leading to different career paths in business management. Certainly focusing in one area, such as investment banking or sports marketing, is always a possible choice, depending on the student's own background and aspirations, strengths, and weaknesses. In an uncertain world with demand and supply forces possibly changing the opportunity set available to the student who takes such a path, this may be a very risky strategy, just as it would be in building a financial portfolio: "Placing all those proverbial eggs in one basket, no matter how sturdy it looks at the time is dangerous."[17] It is certainly a very short-term view. Career opportunities, like financial assets, can be volatile. Focusing the investments in the portfolio of human capital too narrowly may limit the individual's ability to adapt flexibly to other opportunities now and in the future.

THE COUNSEL OF EXPERIENCED ADVISERS

What do experienced financial advisers counsel as a means to build an investment portfolio over the long term? Should the portfolio be directed toward long-term capital gains, toward stable income, toward secure principal? How can the most promising assets for each of these possible investment goals be best identified? The answers to each of these questions are colored in part by the individual investor's preferences in terms of time horizon and tolerance for risk. In general, a more conservative long-term view would seek high returns but would also aim to limit the volatility of those returns.

Bernstein Investment Research and Management has highlighted the value of *proper diversification* as a means to realize both of those goals: maximize return and minimize the dangerous effects of volatility. By assembling a portfolio of assets that are sound long-term investments on their own but are uncorrelated with one another, the natural volatility of returns for each is muted and a steadier long-term return for the entire portfolio is realized. Such diversification of assets is not a random collection but rather "requires a mix as integrated as a finely woven piece of cloth. The advantage derives when all the threads are strong in and of themselves, but each tends to react in its own way to a given set of circumstances."[18]

Although this theory of the power of low correlations was set forth and validated for investments in financial capital, in a dynamically changing global economy, it has powerful relevance for investments in human capital as well. This is not to say that a single individual can or should pursue multiple career paths simultaneously. Rather he or she should build a portfolio that, like the financial portfolio, is as integrated as a finely woven piece of cloth, building on past education and experience, current interests, and future aspirations and focusing on a set of personal core competencies that enables the MBA to consider a number of career paths, distinct but related. Business leaders call for managers with strong people skills, good communicative skills, and the ability to integrate information from a variety of sources to solve problems. The "plain vanilla" MBA no longer meets business needs. The portfolio should supplement those areas in which the student is lacking and enable the student to be distinctive. At the same time, the portfolio is the foundation for the future that enables the MBA to seize opportunities flexibly while renewing and enhancing investments. What is truly needed is an MBA with a reliable core of competencies and skills, linked to some specialized channels, but at the same time highly focused.

The portfolio approach is not a hodgepodge of scattered topics and skills, but rather one that is constructed thoughtfully to give the MBA graduates a head start as they enter a changing business climate. For example, this might mean a student seeking a career in financial services could add to a solid array of core classes advanced classes in accounting and taxation as well as in such financial topics as investment analysis, portfolio management, options, and futures as well as related internships and field study experiences. Participation in related clubs (finance club, investment challenge, etc.) would both widen the experience and enrich personal networks. This combination of course work and experiential learning would produce a well-rounded personal portfolio, build a network of professional contacts, and maximize career flexibility, as it equips the graduate for positions in investment analysis or personal financial planning. An alternative approach emerging in a number of business programs is to add an in-depth understanding of a specific industry to an interdisciplinary core—for example, pharmaceuticals, real estate, media, and entertainment—both to inform the student's comprehension of emerging issues and opportunities in the industry and to equip the prospective manager with the experience of providing integrative solutions.

Getting the right mix of course work and experiential learning requires some homework on the part of those who pursue the portfolio approach. This may involve informational interviews with industry executives and others who have a long view of a field or firm. At the same time keeping an ear to the ground as visionaries and futurists offer their prognostications is also useful. Business is full of thoughtful, insightful people who need only to be asked about their take on the future of their firm—or the industry sector of which it is a part.

Diversification in the financial portfolio may also reflect a mixture of U.S. and global investments. In a human capital portfolio, the global investment could build on prior studies or be the pursuit of the degree in an international program or an internship or study abroad or the pursuit of an additional graduate degree in a global discipline. For example, in a survey of the new cohort of full-time MBA students in the Beijing International MBA (BiMBA), a consortium MBA taught in English in Beijing, China, by U.S. professors, one of the

Reasons for Pursuing the MBA in China

Students in the BiMBA program at Beijing University were asked why they pursued the MBA degree and what expectations they had of it. Some results follow.

Why Pursue an MBA?

- Give myself a whole picture of corporate operations as foundation
- Improve myself in all aspects of life
- Make friends for later use in business
- Upgrade myself and solve problems at work
- Prepare myself for a career in business
- Get theoretical and systematic training for business
- Acquire systematic business knowledge
- Build networks and understand information sharing

What Will an MBA Do for You?

- Provide future career development
- Help me get a promotion or a better job
- Give me tools and knowledge for a career shift
- Improve my chances in business
- Give me tools to be an entrepreneur
- Improve my earning potential
- Connect me with future colleagues and employers

students indicated that as a Thai native who wants a marketing career in China "a degree at Peking University seems to be a reasonable choice." (See the boxed insert for insight into student expectations from this program.) This program offers a fascinating case study of MBAs in a society that is still emerging from decades of communism and a command economy. By definition the Chinese MBAs in this program and others badly need to be adaptable to join in the dynamic business activities in a country in which capitalism and the market economy are reinventing themselves to be both socialist and probusiness. Indeed as John Yang, the U.S. dean for the BiMBA program, has observed, "In China you are not passing on pure technical business school knowledge. The Chinese are engaging in a mental, spiritual, ideological, and psychological transformation of themselves."[19]

CONSIDERING GROWTH AND VALUE STYLE

Diversification in an investment portfolio may also reflect a mixture of value and growth investment "styles" whereby

> A value stock is one that's selling at the moment for less than a realistic estimate of the profit-making power and dividend-paying capability of the company it represents. In other words, the stock is a bargain. A growth stock represents a company whose sales and earnings are growing faster than most and seem likely to keep it up—simply put, a star . . . it's possible for a stock to be a star and a bargain at the same time, although . . . it's not common.[20]

The concept of a growth or a value style of investment also has relevance for a human capital portfolio. The growth approach would be addressed in a human capital investment with an orientation toward entrepreneurial studies and experiences, whereas the value approach would be addressed with an orientation toward corporate issues and experiences. Although many of the same topics are relevant in either orientation—accounting, finance, strategy, communication, and so on—the perspective and the focus of interest are vastly different in an entrepreneurial operation than in a corporate setting.

Managers in these challenging times must be leaders, too, because they need to be able to inspire those within their own organizations and in collaborating groups to want to follow them. In their studies of leadership, James Kouzes and Barry Posner have found that four qualities characterize a credible leader in any situation: a leader must be honest, competent, forward looking, and inspiring. These characteristics are rooted in the individual but can be maintained only through constant effort and self-discipline and complete knowledge of oneself, one's business, and one's surroundings. These qualities cement the relationship and inspire others to follow. Building a strong human capital strong portfolio is a necessary step in developing a business leader for the information age. The "company of the future," as Cairncross observes, needs both leaders and managers, "people at the top who can lead and people at every level who can manage it. Otherwise, initiatives go nowhere."[21] The greatest challenge for the organization will be to identify and nurture that talent. The individual who has acquired a carefully integrated portfolio of human capital investments is well positioned to be part of that talent pool.

CHAPTER 11

CRITERIA FOR THE FUTURE

Constructing a strategic portfolio of knowledge, competencies, and skill sets, a process laid out in the previous chapter, empowers the MBA student as a thoughtful consumer who can benefit from curricular, program specialty, and faculty choices that help create personal intellectual capital, tailored to the individual. This may appear difficult in some MBA programs in which student cohorts seemingly move lockstep through rigid, required courses and prescribed, traditional material. Yet even there flexibility abounds in topics for research papers and projects, internships and field studies, and other means by which one can benefit from the rigors of even the most predictable MBA disciplines and still find choices to meet personal needs. Some MBA programs are, in fact, more nimble and flexible than others—and more appropriate for the person who seeks an innovative environment. Flexibility and adaptability are the mantra of the global age with change as the only constant. It is a time when firms engage in outsourcing, offshoring and even in sourcing, all of which require the capacity to find new patterns and structures of doing business and navigating change.

In his important book, *The World Is Flat*, Thomas Friedman describes conditions wherein businesses constantly have to innovate and adapt to the forces of globalization. Often that means many workers from entry-level personnel to senior executives seem expendable as they are increasingly displaced by foreign competition across all industry sectors. To Friedman there are only four kinds of business people, especially managers and executives who can survive professionally and not be rendered obsolete by competitors in India or China, countries that have moved with remarkable speed to transform their economies to compete comfortably with the United States and Europe. Individuals, he says, must be special, specialized, anchored, or adaptable.[1] The *special* individual is truly unique, such as a sports or rock star, or a firm with a special process or method of doing business or even some distinctive intellectual or human capital. The *specialized* individual acquires new knowledge and performs a valued function that's not easily outsourced or replicated. These trained professionals stay current in their field or discipline. The *anchored* individual is one who delivers a service in a specific venue involving face-to-face contact with customers, clients, or other audience segments. Finally, the *adaptable* individual is just that—capable of understanding and responding in a proactive way to change. In Friedman's view, a world in which hierarchies and functions have been flattened can be threatening. It might herald the end of American business dominance or be a wake-up call for a radical reassessment of the assets and strategies necessary for participation in the globalized economy, which now seems to affect even the most local of business environments and activities. As he advises:

> ... if you cannot be special or specialized, you don't want to count on being anchored so you won't be outsourced. You actually want to become really adaptable. You want to constantly acquire new skills, knowledge and expertise that enable you to constantly be able to create value .... Being adaptable in a flat world, knowing how to "learn," will be one of the most important assets any worker can have, because job churn will come faster, because innovation will happen faster.[2]

Whether the lessons of the flat world always apply to business may be another matter, although one of the precepts of modern management thinking has long been "the flatter the organization the better." Removing layers of management across corporations has been championed for years by such business leaders as Jack Welch of General Electric and was underscored in Rosabeth Moss Kanter's influential book, *When Giants Learn to Dance*, which urged businesses to do more with less to maintain competitiveness. Her challenge: "Cut back and grow. Trim down and build. Accomplish more, and do it in new areas, with fewer resources."[3] The *Financial Times* says that the response to this advice and more like it from other critics was "the flat organization, less bureaucratic, more efficient and more flexible."[4] While heeding this advice, businesses and business schools looking at a globalized world are well advised to consider an earlier text, according to the *Financial Times*, that warns against assuming any one structure is supreme. Raymond Miles and Charles Snow, in their book *Organizational Strategy, Structure and Process*, say that what matters most is not the style or the type or organization in business, but whether it fits the purpose.[5] The same is true for business schools and how they assess conditions of a flat, globalized world, recognizing how this will or should affect commercial enterprises.

MBA PROGRAMS AND THE "FLAT" GLOBALIZED WORLD

MBA programs were invented at a time when American business was rooted in the industrial revolution, manufacturing, and extractive industries. Over many decades, large corporations, some of them morphed into giant conglomerates, have lived alongside midsized and smaller firms as well as tiny start-ups. This has provided stability in many sectors, even correcting for market ups and downs. There was a comfortable predictability for many industries as people often stayed with the same firm most of their careers.

The information age has changed that, as whole new industries and sectors (technology and entertainment, for example) emerged. Dramatically, prestigious information providers such as the New York Times Company, for example, are threatened by upstarts like Google, which might ultimately put them out of business, a theme that informed a 2005 flash movie titled *Epic 2004*. So the world is beset, as never before, with what Shakespeare called "sea change." We've mentioned earlier the experience of AT&T, a giant corporation, that moved from being a monopoly to a competitive environment due to regulatory change—and technology—among other factors. None of this is news to people who administer or teach in MBA programs. Indeed, some of what Thomas Friedman and other critics have written comes from the scholarly assessments of business educators writing in academic journals and influential professional publications such as the *Harvard Business Review*, *Chief Executive Magazine*, or Booz Allen Hamilton's edgy journal *Strategy + Business*.

While MBA programs and business schools have observed these changes involving globalization, economic shifts, or business sector transformation, they have even done leading research on these very topics. Indeed, two of the most popular business books, *Built to Last* and *Good to Great*—the former by Jim Collins and Jerry I. Porras and the latter by Collins alone—were originally based on a six-year research project at Stanford Business School that looked at eighteen truly exceptional and long-lasting companies.[6] In an assessment of visionary leadership, they considered what makes an enduring, great company by passing those that ride the wave of fads while also considering transitional factors vital to survival in the marketplace, especially amid great change.

These researchers and scores of others have carefully evaluated the impact and influence of these changing social forces for business and industry generally as well as those with specific import for particular industry sectors. Ironically, however, B-school researchers have not always linked business upheaval and continuity with continuity, innovation, and reform in the educational process of which they are themselves apart. That's understandable because the reward system of higher education honors original research and pays little attention to what is sometimes called "educationist" consideration of program structure, curriculum, and the like. Indeed, some of the most forward-looking researchers are educational conservatives who resist change on the campus while championing it in business and society. This has often resulted in a failure by MBA programs to make internal adjustments in educational philosophy or in the tactical means of carrying it out in the curriculum. So it is not surprising that business schools have traditionally produced a talent pool for the business community, but have rarely offered a truly integrated educational approach that mirrors the challenges of globalization. This perspective has been stated again and again in recent critiques of business education. As three business professors put it in a July 2005 paper, "What's Really Wrong with U.S. Business Schools," Harry and Linda DeAngelo of USC's Marshall School of Business and Jerold L. Zimmerman of Rochester's William E. Simon Graduate School of Business Administration argued that "U.S. business schools are locked in a dysfunctional competition for media rankings that diverts resources from long-term knowledge creation, which earned them global preeminence, into short term strategies . . . ."[7] As they point out, it is not that there aren't curriculum change or continuous strategic planning or public relations exercises in B-schools, but that important knowledge creation is not being linked effectively to those efforts.

Not everyone agrees with this assessment, however, as witnessed by the feisty response of John J. Fernandes, president and CEO of the business school accrediting body, AACSB, who says, *au contraire*: "AACSB International requires the more than 500 schools it accredits to develop programs with companies to make their curricula relevant to today's business environment."[8] As he noted in a September 2005 statement, a recent AACSB survey found that 40 percent of B-school respondents said that curriculum revision and program development were among the top three changes planned for the next three years."[9] He strongly disagrees with critics Warren G. Bennis and James O'Toole that "Business Schools Lost Their Way," part of the title of their provocative May 2005 article in the *Harvard Business Review*, which stimulated the DeAngelo et al. response previously mentioned.

The heart of most MBA programs is in one-off courses in fields such as finance, marketing, management, accounting, and other business disciplines that typically operate in silos with little collaboration or team teaching among the faculty. And as the business press often observes, with more offshoring and outsourcing, many of the entry-level analyst jobs that American MBA graduates have traditionally taken are now being assumed by locals in India and other countries geared up with an educated and cost-effective workforce.

WHAT AND HOW B-SCHOOLS TEACH

MBA students face the reality of the business school curriculum, its areas of concentration, and ultimately the subjects and fields in which one can major. Although virtually all B-schools correctly claim they prepare their students for a range of careers, they do so with specific building blocks represented in the ways they are structured and organized around particular areas of knowledge.

The relationship between traditional fields and disciplines that are integral to any bona fide MBA program that passes muster with accreditation standards and new arenas of knowledge, propelled by a changing society and business environment, is subject to a continuing debate among business school faculties and their various constituents. Any consideration about change in the B-school curriculum involving what will be taught must be seen against the context of the university generally, which is mostly resistant to change and by nature devoted to permanence and averse to anything radical or precipitous. Universities have been called the most conservative of institutions and they are. They change slowly, in large part because they are the guardians of knowledge and engines for learning. Of course, tenured faculty are among the most secure employees anywhere and don't change without powerful incentives, mainly affirming that it is necessary—and right.

Universities appropriately resist trendy changes and focus on the central features of human knowledge, generated over hundreds of years. New material is added only when it is proven to be legitimate and tested against the rigors of scholarship. In recent decades amid the information revolution, universities cope with an avalanche of new knowledge and have difficulty deciding what to include, what to discard, and how this should alter instructional content. Because business and other professional schools mostly live in the university environment, they too share this institutional conservatism and aversion to change. Business schools are also strongly influenced by professional school accreditation requirements, which insist on certain subject matter, methods, and resources in exchange for their seal of approval. One is therefore not likely to find cutting-edge change in most business schools or a curriculum that follows the latest headlines in the business press with its short attention span and lack of concern for institutional memory. Whereas some revision and reform is essential, change for change sake in education generally is not.

The basics of MBA education are well reflected in Robert Bruner et al.,'s book *The Portable MBA*, produced by several members of the University of Virginia's Darden School of Business. These authors argue that MBA education must contain a proactive approach to strategy with such flourishes as managerial responses to the future, the hows and wherefores of managing people in an ethical context, and rigor in decision making. The authors emphasize the core business disciplines—economics, finance, management, accounting, and marketing. This is consistent with the array of fields and disciplines offered generally in MBA programs (shown in Table 11.l). It is also useful to consider how the deployment of B-school faculty lines up with the various fields and disciplines, which is illustrated in Table 11.2. Both of these tables are based on the AACSB data.

B-SCHOOLS AND THEIR CURRICULUM

Looking at individual schools up close, it is useful to note that Cornell's Johnson School of Management organizes its faculty around subject areas that flow into the curriculum including accounting, communication, economics, global business, management, marketing, entrepreneurship, finance, operations management, and technology. The Wharton School at Penn lists eighteen

TABLE 11.1. Fields and Disciplines in MBA Programs (2003–2004)

Table shows the percent of reporting schools (from 35 countries) offering at least one degree program in each field/discipline.

Field Discipline	MBA	Specialized Master's	Doctoral
Accounting	31.8	75.4	61.3
Behavioral science/organizational behavior	9.4	6.5	36.9
Business communication	5.2	4.6	6.0
Business education	1.9	3.4	4.2
Business ethics	6.3	3.4	10.1
Business \law/legal environment	8.4	5.5	3.6
Computer information systems (CIS)/ management information systems (MIS)	37.7	39.4	53.0
E-business (including e-commerce)	17.2	8.9	8.3
Economics/managerial economics	13.6	20.9	35.1
Entrepreneurship/small business administration	19.7	6.5	11.9
Finance (includes banking)	44.8	32.0	66.7
General business	68.8	6.8	19.0
Health services/hospital administration	15.3	7.1	4.8
Hotel/restaurant/tourism	2.1	4.3	4.2
Human resource management (includes personnel and industry/labor relations)	20.9	19.4	23.2
Insurance	1.5	1.2	3.6
International business	34.5	14.5	22.6
Management	40.2	18.5	48.2
Marketing	41.8	19.4	68.5
Operations research	5.6	4.9	18.5
Production/operations management	17.6	9.5	32.1
Public administration	3.1	4.6	6.0
Quantitative methods	6.7	6.5	15.5
Real estate	4.8	3.4	5.4
Statistics	4.4	6.5	10.1
Strategic management	46.7	6.8	32.7
Supply chain management/transportation/ logistics	10.5	8.9	16.1
Taxation	4.2	20.6	1.2
Other	27.8	23.4	23.8
Number of Schools Reporting	478	325	168

Source: Pocket Guide to Business Schools, AACSB International. Tampa, FL, 2005, pp. 12, 13.

TABLE 11.2. Where the Faculty Is (2004)—United States, Canada, and United Kingdom

Field/Discipline of Faculty	Number	Percent of Total
Accounting	4,795	16.2
Behavioral science/organizational behavior	930	3.1
Business communication	405	1.4
Business education	135	0.5
Business ethics	89	0.3
Business law/legal environment	803	2.7
Computer information systems (CIS)/ management information systems (MIS)	2,987	10.1
E-business (including e-commerce)	84	0.3
Economics/managerial economics	2,853	9.6
Entrepreneurship/small business administration	346	1.2
Finance (includes banking)	3,755	12.7
General business	116	0.4
Health services/hospital administration	104	0.4
Hotel/restaurant/tourism	227	0.8
Human resource management (includes personnel and industry/labor relations)	860	2.9
Insurance	155	0.5
International business	426	1.4
Management	2,608	8.8
Marketing	3,740	12.6
Operations research	279	0.9
Production/operations management	1,183	4
Public administration	150	0.5
Quantitative methods	437	1.5
Real estate	160	0.5
Statistics	368	1.2
Strategic management	1,009	3.4
Supply chain management/ transportation/logistics	209	0.7
Taxation	176	0.6
Other	264	0.9

Source: AACSB International, Canadian Federation of Business School Deans, and Association of Business Schools. *Pocket Guide to Business Schools*, AACSB. Tampa, FL, 2005, p. 19.

majors, including the basic areas of accounting, finance, management, marketing, and operations/information management, but also gives attention to entrepreneurship, health care management, insurance, real estate, and others.

MBA Majors at the Wharton School

- Accounting
- Business and public policy
- Entrepreneurial management
- Environmental and risk management
- Finance
- Health care management
- Human resource and organizational management
- Information: strategy and economics
- Insurance and risk management
- Legal studies and business ethics
- Managing electronic commerce
- Marketing
- Marketing and operations management
- Multinational management
- Operations and information management
- Real estate
- Statistics
- Strategic management
- Individualized major

Duke's Fuqua School of Business lists the nine academic areas of accounting, decision sciences, economics, finance, health sector management, management, management communications, marketing, and operations research. The list of MBA majors and minors at Ohio State's Fisher College of Business sounds similar, identifying corporate financial management, investment management, operations and logistics, strategy/consulting, and interdisciplinary studies, but augments these divisions with course offerings organized around accounting, strategy/consulting, finance, human resource management, international business, logistics, management information systems, marketing, operations, and real estate. Bernard Baruch's Zicklin School of Business seemingly offers more of the same—accountancy, computer information systems, decision sciences, economics, finance, industrial/organizational psychology, international business, marketing, statistics, and taxation. Somewhat streamlined is Boston University's School of Management's MBA core majors—entrepreneurship, international management, finance, and marketing. Harvard Business School puts it similarly, arguing that its "required courses set the point of view of the general manager to focus on the internal functional operations of business enterprises" and includes finance, financial reporting and control, leadership and organizational behavior, marketing, technology and operations management, business, government and the international economy, strategy, entrepreneurial management, negotiation, as well as leadership and corporate accountability.

The point here is not to belabor lists of majors at various MBA schools, but to demonstrate that they bow to the core disciplines of business education—accounting, finance, management, and marketing with most including information technology. They do so because they believe these are the major building blocks of business education and also because faculty members in these areas have the greatest numerical strength. This has sometimes been called tribal discipline and control. Other majors are more methodological, emphasizing strategy, operations, and quantitative analysis, all tools of the trade, however intellectually grounded. Still others target just what business schools once said they did not do: particular industries and market segments ranging from health care industries to real estate. Amid all this is a smattering of such relatively new areas of emphasis as globalization and international business or entrepreneurship. Ultimately, the B-school curriculum is something of a hodgepodge, including the core disciplines insisted on by the reforming Carnegie and Ford directives of the 1960s with numerous add-ons reflecting new business theories, methods of operations, or industry segments, no doubt added on by the necessity of serving a school's constituents and the reality of its interests and needs.

A closer look finds a curriculum at most business schools that is largely oriented to large business enterprises—learning to work in a giant organization as opposed to middle-sized or small business, entrepreneurship, family business, nonprofit management, or others. Of course, the main reason for this weighting is that big business is where the jobs are.

Some schools are more theoretical than others; some are in the heart of cities such as Baruch, which is close to Wall Street and has its own trading floor, versus the eminent European business school INSEAD, which is located in the middle of a forest in Fontainebleau, France. Some eminent schools such as Harvard, Wharton, and Duke favor the case method of instruction, which brings the various business disciplines to bear on the behavior of a particular business, industry, or business leader. The business case, which is typically a documented study of just how a particular firm made and carried out a business decision, mirrors somewhat the legal case, used by law schools, but with one important distinction. The legal case has been tested in courts against established theories of law and legal practices with great respect for precedent (the doctrine of *stare decisis*), whereas the business case can claim only to have lived in a contemporary business environment that may be truly representative—or just an aberration. Other schools less wedded to case studies offer a pedagogical style that is more eclectic, lectures mixing theory and practice, Socratic method dialogues, and some mostly didactic presentations of dense, but important material drawn from both quantitative measures and qualitative factors.

As we've mentioned in the previous chapter, some business schools have sought integration across the curriculum to give their MBA students' choices, options, and a measure of flexibility. Here basic knowledge and tools are married to strategic arenas, such as globalization or international business, creating individualized programs for students. Later in this chapter, we discuss several new and integrative MBA programs that are grappling with change amid many pressures in both curricular content and the wherewithal to understand and cope with a radically changing world.

OVERCOMING THE TALENT MYTH

It is not surprising that MBA programs reward the smartest and best performers as the students with the best grades, which often leads then to the best jobs. This has created what the writer Malcolm Gladwell calls "the talent myth."[10] In an influential article he asked whether the drive for talent in business, which business schools facilitate, is overrated, and whether the values promoted by business schools and management consulting firms are the right ones for success in business. He criticizes the prestigious management consulting firm, McKinsey & Company, for pushing a "star system" in business, one documented in a book, *The War for Talent*. This book, by Ed Michaels, Helen Handfield-Jones, and Beth Axelrod, argues that success in the modern economy requires a "talent mind-set" and the "deep seated belief that having better talent at all levels is how you outperform your competitors." But Gladwell disagrees:

> This "talent mind-set" is the new orthodoxy of American management. It is the intellectual justification for why such a high premium is placed on degrees from first tier business schools, and why the compensation packages of top executives have become so lavish. In the modern corporation, the system is considered only as strong as its stars, and, in the past few years, this message has been preached by consultants and management gurus all over the world.[11]

Gladwell says no firm promoted this gospel more ardently than McKinsey and "of all its clients, one firm took the talent mind-set close to heart."[12] That firm was Enron, which crashed and burned during a corporate scandal that brought down its CEO and sent top officers to jail among other fallout. McKinsey had twenty separate projects there and annual billings of $10 million. As a consequence the management of Enron did exactly what the consulting firm had urged—hired the best and the brightest, gave them tremendous latitude, created a star system, allowed anyone to apply for any job he or she wanted within the firm, and in effect launched an assault on the so-called fixed organization. Still, standards for perceived success versus actual results were not always clearly spelled out.

Although this is an extreme case and MBAs as a class can hardly be blamed for corrupt practices associated with recurring business scandals, the system created by the talent war in business, which mirrors the reward system of business schools, did seem to accelerate it. And as Gladwell and others have observed, the obsessive push to hire people who always "think outside the box," as the cliché goes, leaves few to think inside the box or to question whether the box itself needed fixing. Putting a premium on innovation, change, and out-of-the-box thinking often overlooks core competencies of a company—or its more talented and long-serving individuals. What does this portend for MBA programs and their curricula? Their role should be to question Socratically whether basic knowledge is necessary for understanding and doing business? How to handle new knowledge that contradicts previous assumptions? What means are there for navigating change and finding creative and effective solutions to problems? The debate over *inside*- or *outside*-the-box thinking, while trendy today, is always a useful consideration because innovation and true business genius almost always involve knowing the traditional rules—and breaking them for particular effect. Gladwell's influential article set off a debate, not the first by any means, of what business schools ought to do to identify people who will be the most effective, contributing employees, capable of doing the work required today, but with an adaptable ability to change—and innovate.

There has been a flurry of articles speculating about the kind of knowledge and experience most needed in business and whether business schools can effectively provide it. Here the debate over individual achievement (working by yourself) versus collaboration and cooperation, which are essential to management, ensues. Enron, in a bidding war for the best and brightest MBA graduates from top-tier schools, was guided by the belief that academic performance is an accurate benchmark for individual performance in the corporation. Enron and some other McKinsey clients accepted the notion that the B-schools had already identified the most likely candidates for business success by virtue of GMAT scores and grades. Enron exaggerated the importance of these already entitled people by making them stars, providing lavish compensation, raises, and bonuses while giving them greater and greater responsibility, perhaps before they were ready. Frequently internal promotions across departments and divisions also contributed to corporate churn and instability. The underlying message was short-term personal gain over longer-term benefits for both the employee and the company. Clearly many business schools emphasize teamwork in courses, but even then, this is typically a silo operation carried out in a given discipline's course, rather than across the various fields taught in MBA programs. Some say the teamwork is simply too artificial and removed from workplace and industry pressures. It is the case, though, that interdisciplinary fieldwork courses engage students from across the curriculum to escape the confinement of the silos that characterize most business school faculties and the courses they teach.

B-SCHOOL EXPECTATIONS—OVERBLOWN OR NOT?

Just what expectations one should have for business school graduates and just what grades mean is unclear. They do measure performance in courses, but rarely tell much about personality, work habits, persuasive ability, or other team-building qualities. Other professional schools have also faced criticism about the grade race, though they can fall back on long-held, if fanciful, axioms, such as one often heard in law schools t suggesting that "A students become law professors, *B* students become judges, and C students practice law." No comparable analogy exists for business schools. If it did, A students would likely be those with the most robust analytical and quantitative skills, typically headed for jobs in investment banking. *B* students might eschew Wall Street for other business sectors, and, as one critic put it, "there are no C students," because they were long ago a casualty of grade inflation. Perhaps business schools ought to subscribe to humorist Garrison Keillor's observation about his mythical hometown of Lake Wobegon: "where all the children are above average." But clearly that can't be true. No doubt about it, full-time MBAs have more prestige than do part-time programs, even though they may be the same. Because executive programs accommodate the needs of busy managers, even foregoing the GMAT in some instances, they are often regarded as less rigorous than the campus-bound programs. And, as far as online degrees go, the jury is out on the quality of the students, the instruction they get, and other factors.

Still, the *War for Talent* authors have urged employers who hire MBAs to practice "differentiation and affirmation" wherein employees on a twice-annual basis get a "candid, probing, no holds barred debate about each individual," identifying their workforce into A, B, and C groups. As Gladwell observed in a critique of the *War for Talent*, "The A's must be challenged and disproportionately rewarded. The B's need to be reinforced and affirmed. The C's need to shape up or be shipped out."[13] But, alas the "rank and yank" system recommended by McKinsey and Company often failed to identify how employees effectively managed themselves and others, thus demonstrating that assessing workplace performance, like academic performance, is complex and difficult.

Alas, those who thought they got away from grades in college or graduate school will find an atmosphere in many businesses in which people and their work products are assigned de facto grades. Of course, B-schools and their critics fuel this process with their easy acceptance of first-, second-, and third-tier schools, paying less attention to the individual achievement, even knowing that brilliant and highly capable business leaders have come from schools and backgrounds of all sorts.

A CAUTIONARY TALE

Although the Enron-McKinsey case is a cautionary tale for MBAs not wanting to repeat that experience even on a minor scale, it also raises disturbing questions for business schools—and the values they convey about competition, personal gain, coping with change, and other factors. That message had come earlier in the siren song of globalization, which poses new dilemmas for the conduct of business internationally and locally with implications for the talent pool needed as human capital. As MBA students face the dramatic changes of a so-called flat world, *Investor's Business Daily* suggests ten parameters to consider in determining whether "an MBA is worth it." And clearly these paramenters reflect some of the nuances of a shifting business environment, influenced by globalization:

- Define your expectations.
- Don't discount real-world experience.
- Think long term.
- Get references.
- Do your homework.[14]

While these bromides may seem obvious, they represent what people seeking the MBA often don't do sufficiently, the financial newspaper opines, quoting Bob Ludwig of the Graduate Management Admissions Council. The point, he and others argue, is that hard thought is required to truly scope out and assess one's own expectations and aspirations. This includes getting advice about what makes sense and whether an individual will likely benefit from the MBA experience. It is also possible, educators assert, that such a deliberative process will make a more discerning MBA consumer. Whether candidates are bent on advancing in their current career paths—or making a transition to a different industry or field—it is critical to assess the nature and quality of their work experience to determine whether it taught process or substance and how it is applicable to the work environment generally. Long-term thinking is possible, if people seeking MBAs inform themselves with forecasting reports and get the benefit of conversations with visionary thinkers or even strategic planners. Getting references means contacting other MBA graduates from one's school of choice or others they are considering. And as far as homework goes, that might mean on-site visits to campuses, sitting in on classes, or contacting professors and employers—in other words, the very people consulted by the rankings. Few people, it seems, do this with any rigor as an informal survey of business school professors at three New York universities revealed. In spite of the high demand for students to enter their programs, they say they rarely hear from prospective students. Such contact, it seems, is relegated to admissions offices and other administrative staff, who, while knowledgeable, rarely have the substantive information that will answer the aforementioned questions sufficiently.

RESPONSIVE CHANGES IN MBA PROGRAMS

Although business education has not undergone true structural change for decades, there are important if subtle changes occurring, some of them overlooked by critics and commentators. For example, *The Chronicle of Higher Education* reported "a sweeping revision taking place in [MIT's] Sloan MBA program," which it said was "an example of the specialized, project-based courses springing up nationwide."[15] As Katherine S. Mangan put it in a 2003 article, "Business schools are redesigning their curriculums, forging closer ties with businesses, and giving students more freedom to customize their degrees."

MBA programs are trying not only to give their students an edge in a brutal job market but also to distinguish themselves from their competitors.[16] One of the MIT changes cited was a new course in medical innovations wherein MBA and engineering students worked with research hospitals and other institutions in the health care industry. The idea of this course and similar ones in other schools is anchoring MBA students in a collaborative environment wherein they learn more about the needs and demands of many specialized businesses and industries in which generic MBA knowledge needs better integration and adaptation. Another science-savvy program is being developed at a new business school at the University of California, San Diego, which will offer joint degrees in science, technology, and international relations. That program was the brainchild of its founding dean Robert S. Sullivan, who left the deanship of the University of North Carolina's Kenan-Flager B-school for a chance to "re-invent" business education, at least on a scale that will work in his new environment at a university that had previously rejected the idea of a business school altogether.[17]

At the University of Toronto's Rotman School of Management, an approach called "integrative thinking" is guiding what Dean Roger Martin calls a more flexible model for the contemporary business world. According to *BusinessWeek*, like other midtier B-schools, Toronto has created specialized MBA programs that focus on such fields as health care, sports management, and arts administration, but with a different twist. This thematic approach to specialization involves integrative thinking across numerous academic disciplines. The idea is to help MBA students learn to build new, flexible models "better suited for a globalized business world,"[18] he says.

What is happening at Toronto is not confined to a single course, but involves centering the entire curriculum on integrative thinking, which was strongly influenced by Dean Martin's experience in a global strategy consulting firm. He began to reengineer the Toronto school around integrative thinking in 1998 with the result that students there engage in daylong simulation games with debriefings in which they make applications to integrative thinking. They take the course Foundations of Integrative Thinking as well as a lab in their first year, followed in the second year with the Integrative Management Challenge, a simulation course of 260 persons broken into teams of five students each. Each team has access to a board of five businesspeople from different outside business organizations that work with them as they do a labor negotiation and write a marketing plan. Once, Martin said, he worried whether he could attract a sufficient number of people from business to work with him and his faculty, but by 2005 there was a waiting list of people asking participate. Students also take courses called Organizational Strategy, Thinking It Through (a systems dynamics course), as well as Learning to Learn and Shape It, Don't Take It, both of which deal with problem solving. The school has also drawn scores of business leaders to its Innovative Thinker seminar series including Michael Dell and Procter & Gamble CEO Alan G. Laffley.

Clearly guided by a need to connect and integrate business theories and practice with specific industries in a fashion that creates new and truly multifaceted professionals, the program has an explicit human relations underpinning. As Martin says, "I think integrative thinkers are people who are a little more interested in other people, and how groups work together. We are getting people who are coming here because they've taken a design approach to life. [These are] people who think 'could there be another way?' " He admits that some individuals loathe this approach, but argues that those who prefer a more traditional managerial model, will face difficulties in what is increasingly "a pure human capital world."[19]

The Toronto school and others motivated to make major changes are concerned about being squeezed out as MBA enrollments go up and down. The best-known schools typically have fewer recruiting problems, but others rightly fear being passed over at times when enrollments flag and large, better-recognized schools step up their student recruitment. It is often assumed that a school must be large to have the flexibility to be nimble, anticipating changes in the marketplace and in student interests. But, Mark Zupan, dean of the Simon Graduate School of Management at the University of Rochester, believes that being small can also mean being stronger. As he remarked, "Being small can be an advantage as well as a drawback. The question is how can you be nimbler when you're smaller? How can you use that effectively?"[20]

The Simon school is described by the *Financial Times* as "a miniature version of the University of Chicago, strong in economics and finance and a home for rigorous academic study."[21] Simon also aspired to be a school for entrepreneurs and is proud of its international alliances. The answer, Dean Zupan believes, is in personalizing the services available to students, matching them with faculty members and alumni both for initial learning and for jobs and continuing education after graduation. The school, which attracts first-rate students, believes it can continue to overcome both its size and its location outside of a major metropolitan area.

Rensselaer's Lally School of Management and Technology was another B-school that fretted about being "lost in the shadows of bigger more recognized schools" and had reason to be concerned as it experienced declining enrollment during the 2002 recession. Lally created an MBA "unlike any other,"[22] according to *BusinessWeek*'s Geoff Gloeckler. He said the Rensselaer's faculty tore apart the traditional MBA curriculum and replaced it with one that "rather than relying on conventional texts and case studies in standard courses like marketing and finance . . . designed a brand new program teaming up professors to teach together and guide studies through real-world business problems in a holistic way."[23]

As RPI's acting dean, Iftekhar Hasan put it, "This is not your father's MBA."[24] The program features five streams of knowledge including Creating and Managing an Enterprise and Networks, Innovation and Value Creation. Moving away from the traditional discipline/silo approach, the RPI faculty nonetheless say they have not abandoned traditional disciplines, but instead have integrated them into team-taught courses in which professors of finance and marketing offer their perspectives on the same business issue or problem. Some say the program is chaotic and argue that students often don't have the foundation courses to cope with a new curriculum that ultimately demands they themselves do much of the integration once expected of the faculty. As *BusinessWeek* reported, "The highly integrated approach requires a lot of cooperating, particularly among professors, who are far more used to competing with each other for status and resources . . . but Rensselaer's professors have to check their egos at the door to plan courses out from various points of view so the cross-pollination succeeds."[25]

What is happening there is echoed at other business schools such as Carnegie Mellon, at which core courses have been reduced to make way for integrated electives, some involving the Internet. Other schools, such as Berkeley's Haas School of Business, have considered connecting research centers wherein interdisciplinary work goes on with curricular initiatives.

Although scores of business schools are experimenting with new curricula, courses, and field study programs, if there is a clear trend it is toward integration of knowledge across different disciplines and fields of academic business education with the special nuances and needs of global business generally, and some new and growth industries particularly. As Jeffrey R. Immelt, General Electric's CEO, told the graduates of Harvard Business School in June 2005, new MBAs have to compete in a world where "companies have to move faster than ever before on a global scale . . . and where there will be real differentiation in the years ahead—real winners and losers."[26] While advocating focus and self-discipline, he praised courses he had taken as an MBA student, especially those in organizational behavior. "As essential as subjects like marketing and finance may be, the ability to work well with others is also a requirement for every executive. My job today is 30 to 40 percent about people. . .and while we like great people who can perform, we believe in building teams, not stars. The totality of the system has to supersede any one individual."[27] And he offered these qualities that MBAs and those assessing MBA programs ought to acquire:

TRAITS OF SUCCESSFUL BUSINESSPEOPLE

- Externally focused and able to read markets and situations
- Decisive
- Imaginative, courageous, and willing to take informed risks
- Inclusive and eager to build diverse teams with talent from around the globe
- Have expertise in a particular field

It is clear that business schools are exploring new ways to be more effective in coping with change guided by greater integration and more robust interdisciplinary approaches to knowledge and its application. As we note in Chapter 12, they are also increasingly global, offering hundreds of global and international business courses as well as others in topics such as cross-cultural negotiation and communication. And they have joint ventures and compacts with business schools in other countries that can be exploited both by students who want supervised overseas experience and by faculty members interested in comparative and global business research.

At the same time, because business schools often follow a commercial model whereby each student (or their parents) pay their own way, they have not been systematically attentive to diversity. Diversity is the politically correct mantra of most of higher education, and business schools have their share of international students, but racial and ethnic diversity among the rest of the student body and faculty has often lagged. There are associations of African American and Latino MBA students, but they have not traditionally spoken with a big voice or been especially influential in pushing B-schools toward more diverse recruiting and retention policies among either faculty or students. As the General Electric CEO suggested, working with diverse people is essential to modern business and thus needs attention. Those looking for their own best business school ought to consider this factor that too often flies below the radar in reports on business education and most of the rankings. Listening to the musing of CEOs can be useful intelligence as prospective MBAs identify their choice of schools.

SUMMING UP: MAKING SENSE OF CHANGE—AND CHAOS

Change in what has been a well-ordered world for business schools sometimes seems chaotic as more uncertainty is introduced. Change is clearly in the wind, though its direction is far from certain. We know what has traditionally worked in most U.S. business schools, but that has been challenged on many grounds. The jury is still out on several of the innovative MBA programs we've mentioned here as well as on responses to the various critiques of business education. This makes the job of anyone seeking an MBA much more difficult as the work of making a decision falls squarely on the individual applicant.

Just as students in some of the new MBA programs are required to make sense of the complex, changing information being hurled at them by professors trying to stay current with globalization, so do prospective MBA students face an enormous challenge finding the right program. Ideally they need one that addresses concerns about silos of information, lack of global understanding, and an inability to cope with new technologies. Ultimately, they must find the right venue for acquiring knowledge, making connections to the real-world that acknowledges the rapidity of change in business. That's true whether those are the world's largest corporations, medium- to small-size businesses, or new ventures still being contemplated. That's the challenge of planning for one's future while considering the prism of the MBA—the one that fits best, or seems to do so.

CHAPTER 12

REMEMBERING THAT THE "REAL WORLD" IS GLOBAL

No matter where one pursues an MBA degree, one thing is inescapable—globalization is a fact of life affecting people and businesses everywhere. Several years ago, Brandt Ayres, the publisher of the *Anniston Star* in Alabama, a respected small town paper, said: "The biggest competition our local folks here in Calhoun County face, is not the business next door, but the one across the globe." In fact, as he said in an interview, one of the local businesses had to keep its eyes on competition in Dijon, France, more than it did that elsewhere in the state. A small Alabama town does not immediately seem the most obvious setting for concern about global competition, but clearly it is. Globalization sounds like a benign concept that simply describes increasing international trade and its consequences, but it is much more and reaches well beyond business. It begins with *globalism*, which the *Encarta World English Dictionary* describes as "the belief that political policies should take worldwide issues into account before focusing on national or state concerns or the advocacy of this belief."[1] The dictionary, the product of Microsoft, adds that *globalization* is "the process by which social institutions [including business] become adopted on a global scale."[2] The public image of globalization is more graphic and "Any mention of globalization in the early years of the 21st Century conjures up images of people rioting in the streets of Seattle or Genoa during global economic summit meetings. Globalization and the new geo-economy have reshaped the global economic map as transformational firms ply their trade in most business ventures."[3]

WHAT GLOBALIZATION MEANS FOR BUSINESS

Globalization influences every aspect of business and business education. Nearly every day in business sections of newspapers and in business magazines there is another article on its implications. Although many definitions are offered for this phenomenon, probably the most useful and complete one is that put forth by Richard Fisher, president of the Federal Reserve Bank of Dallas, in a 2005 speech.

> Globalization is an ecosystem in which economic potential is no longer defined or contained by political and geographic boundaries. Economic activity knows no bounds in a globalized economy. A globalized world is one where goods, services, financial capital, machinery, money, workers and ideas migrate to wherever they are most valued and can work together most efficiently, flexibly and securely.[4]

Globalization is not a new concept or development. What is new is the pace of change and what Thomas L. Friedman calls the *agents of change*. Friedman suggests that there have actually been (thus far) three eras of globalization, each period differentiated by the agent of change. The first era, which he terms *Globalization 1.0*, lasted from 1492 till about 1800, when countries and "power" (horsepower, wind power, steam power) were the driving forces behind global integration. Integration in Friedman's second era, *Globalization 2.0*, which lasted from 1800 until 2000, with interruptions for the Great Depression of the 1930s and two world wars, was driven by multinational companies and was aided in the first half of the period by falling transportation costs and in the second half by falling communication costs. Globalization 1.0 and Globalization 2.0 were driven mainly by Western (European and American) countries and companies. Integration in Friedman's third era, *Globalization 3.0*, which began only around 2000, is driven by individuals, enabled by software and global fiber-optic networks, to reach out directly to like-minded individuals around the world. Thus the playing field is being leveled so that people in both developed and less developed countries are competing on equal terms. This new era is progressing faster than either of the prior two and its participants are increasingly non-Western.[5] Consider the role of business in each of the eras mentioned—and how people in capitalist economies had to structure their enterprises connecting both with the driving demands of society—whether they involved agriculture, manufacturing, or service economies. This is a mind-numbing notion for anyone contemplating how businesspeople need to function and perform under radically different conditions. Today globalization is transforming the nature of the business world an MBA will enter. Because in this new era of globalization individuals are driving the integration, the opportunities to collaborate and the challenges of competition can come from anywhere and will appear with ever greater speed. And the importance of the portfolio of skills and connections the individual will bring to the workplace has never been greater.

> It is this triple convergence—of new players, on a new playing field, developing new processes and habits for horizontal collaboration—that

> I believe is the most important force shaping global economies and politics in the early twenty-first century. Giving so many people access to all these tools of collaboration, along with the ability through search engines and the Web to access billions of pages of raw information, ensures that the next generation of innovations will come from all over Planet Flat. The scale of the global community that is soon going to be able to participate in all sorts of discovery and innovation is something the world has simply never seen before.[6]

This expands on the idea of convergence, which was heralded by the so-called new economy of the dot-com era from the mid-1990s to about 2001. Convergence is, of course, a coming together of previously different and distinct industries, operations, functions, and firms. One pioneer in convergence was Sony's former chairman Nobuyuki Idei, who was recognized as an evangelist for convergence in entertainment industries including music, motion pictures, video games, and communications in all forms. He is an advocate of constant nonlinear change wherein all forms of communications technologies come together into a single system so that there is a "blurring of lines between what had previously been the distinct precincts of publishing and electronic. Not incidentally, Sony's championing of convergence and globalization took on real meaning when in 2004 Howard Stringer, the head of Sony's North American operations, became the company's first non-Japanese CEO, something that many commentators thought would never happen, citing Japan's cultural hegemony."[7] A more likely reason may be related to Japan's acceptance of the MBA which has fostered greater acceptance of global business practices, including hiring executives from other countries. Japan, which had only eight business schools in 1990, had 45 by 2005. With business schools comes some standardization of management practices in Japan, once known for quirky home grown management training, out of sync with MBAs in the U.S. and Europe, for example.

It is critically important, however, for the aspiring manager to recognize that globalization is neither inevitable nor is it necessarily neutral. It requires the sacrifice of a great deal of self-determination, as it is a "condition defined by mutually assured dependence. To globalize your economy and your society, you must accept that the world will reshape your future far more than you can possibly hope to influence the world in return."[8] Yet globalization is accelerating just at the same time when business managers are being called on to assert greater self-determination in their own careers.

Thus globalization proceeds amidst the tension of conflicting values: For the individual there is greater responsibility at the same time that there is more loss of control; and for society there is what Friedman summarizes as the "Lexus . . . [which represents] all the burgeoning global markets, financial institutions and computer technologies with which we pursue higher living standards today" and the "olive tree . . . [which represents] everything that roots us, anchors us, identifies us and locates us in this world—whether it be belonging to a family, a community, a tribe, a nation, a religion or, most of all, a place called home."[9] To pursue the Lexus to the exclusion of all else is to abandon all that gives identity to a nation, a place, or a people. But to cling to the olive tree and reject the Lexus, isolates a nation from the rest of the world and the benefits that result from globalization.

These benefits extend beyond purely economic advantages. The absence of those benefits provides an insight into the underpinnings of terrorism. Indeed Barnett has suggested that a new world map of secure and insecure locations can be drawn to show that you will find stable governments where globalization has spread. "But look beyond globalization's frontier, and there you will find the failed states that command our attention, the rogue states that demand our vigilance, and the endemic conflicts that fuel the terror we now recognize as the dominant threat not just to America's future security but to globalization's continued advance."[10] Even within a stable state, the violent reaction of those cut off from the economic opportunities of globalization (or threatened by its changes) can be seen in the anarchy of France's marginalized underclass of largely Muslim youth.[11]

BENEFITS AND COSTS OF GLOBALIZATION

Globalization provides benefits but also imposes costs and thus gives rise to winners and losers. The reactions to the globalization that swept through Europe in the late 1840s, have important lessons for the tensions between winners and losers that accompany today's accelerating waves of globalization. Like today's developments, one of the early waves of globalizing began with deregulation—of the Corn Laws, which opened industry and agriculture in Great Britain to competition from other countries—and spread rapidly through new information technology—the telegraph and the undersea cable. Free-trade advocates argued that dropping all trade barriers would bring peace and prosperity and rising living standards for all.[12] As the French economist Frederic Bastiat suggested to *The Economist* in 1846, "May all the nations soon throw down the barriers which separate them."[13] However, the barriers did not all come down. As the pace of global change accelerated and as prices equalized around the world, political stability was threatened, and powerful political groups on the losing side pushed for protective tariffs, thus demonstrating that continuing globalization was not inevitable then, nor is it today: "It's vulnerable to economic and political setbacks. The irony is that its fate rests heavily on the behavior of that old-fashioned creature—the nation state."[14]

BUSINESS EDUCATION AND GLOBALIZATION

The MBA may be a largely American invention, but business is now global and so is business education. Nearly one-third of the membership of AACSB

TABLE 12.1. AACSB Membership (March 2005)

Educational Members	Number	Percent of Total Educational Members
U.S.	652	68.8
Outside U.S.	295	31.2
Total Educational	947	

Accreditation Council	Number	Percent of Total Accredited Members
U.S.	425	86.0
Outside U.S.	69	14.0
Total	494	

Source: AACSB International, *Pocket Guide to Business Schools*. Tampa, FL, 2005, p. 7.

(the association that both advances business education and accredits business schools worldwide) is located outside the United States, and 14 percent of the accredited schools are outside the United States (see Table 12.1). An estimated 850 business schools are in India.[15] More than 100 business schools have been established in China in the last 14 years, with 50,000 graduates.[16] Meanwhile, schools around the world are forming alliances as a means to expand their own competencies and connections (see Table 12.2). Although many international students still come to U.S. business schools, with the growth of excellent business programs around the world and the tightening of student visa requirements in the United States following the 9/11 terror attacks, many international students

TABLE 12.2. Geographic Distribution of Alliances, Percentage of Respondents Indicating "Have Agreement(s)" or "Considering Agreements" for Each Region

Region or Country	U.S.	Western Europe	Asia
Africa	4.3	23.7	23.4
Asia	26.9	49.0	83.3
Canada	11.1	36.1	82.3
Europe (East)	14.4	55.0	53.2
Europe (West)	34.1	65.0	77.8
Latin America	24.6	41.1	51.3
Middle East	6.5	22.7	27.0
Oceania	7.7	43.8	75.0
U.S.	11.4	53.3	86.2

Source: AACSB International, *Pocket Guide to Business Schools*. Tampa, FL, 2005, p. 37.

are choosing to pursue MBA programs in their own countries or in other countries with less restrictive policies toward foreign students. The challenge for business education is to prepare the manager and future business leader to seize the opportunities available through globalization while understanding its implications for those who may be disadvantaged by the changes and oppose them. The managers who can meet the highest standards of world competition and collaboration are Rosabeth Moss Kanter's "cosmopolitans" described in Chapter 4 as rich in the *three Cs* of *concepts*—cutting-edge ideas; *competence*—the ability to deliver on those ideas; and *connections*—global relationships. As she explained, "it is because cosmopolitans bring the best and latest concepts, the highest levels of competence, and excellent connections that they gain influence over locals.[17]

These characteristics would assure success for the manager in a large organization as well for the individual reaching out over the Web to collaborate with other similarly qualified individuals around the globe. Indeed, to be effective, all managers must be cosmopolitans in today's rapidly changing markets. It is one of the more challenging contradictions of the globalized world that at the same time that opportunities are expanding globally, power is shifting from the producer to the consumer. The same technology that enables global collaboration in production facilitates global access in consumption. The producer seeks a generalized solution whereas the consumer wants a product or a service that is differentiated and specialized. Thus while the manager is thinking of global opportunities, success is realized locally at the customer's level. And this means that to succeed globally one must understand the local culture of the customer. All this is done in a world in which geography, borders, and time zones are increasingly irrelevant, so that global business relationships are a seamless part of daily business life, even if that means getting up early for phone calls at dawn or staying late in the office, depending on one's time zone. Crucial to all this is communication—strategic communication wherein the manager thinks globally and has comfortable relationships with colleagues tens of thousands of miles away, facilitated by teleconferencing, e-mail, and other means of instant and speedy interaction. At the same time, this borderless, cyberconnected world is, as Kenichi Ohmae notes, invisible as well.[18]

Will a prospective MBA student gain Kanter's three Cs through the graduate school experience? Certainly, fostering an understanding of "global economic environments of organizations" is one of the basic standards AACSB sets for all undergraduate and master's level general management degree programs.[19] To do so, Peter Lorange, president of IMD, an international business school in Switzerland, has suggested that business educators must abandon their own regional orientations and think globally themselves.[20] A recent study of Copenhagen Business School indicated that such a change in orientation may be much more difficult for the schools and for their faculties than for the students. The responses of more than 700 graduate business students (416 with foreign experience and 380 foreign students) indicated that the teaching practices and the culture of the school were rooted in the country in which it was located and in which it recruits most of its students, whereas the students tend to share more common values. "Teaching practices at business schools seem to converge little, if at all, across countries and cultures. . . .As those national cultures, despite globalization and regional integration, still differ from country to country, teaching differs accordingly. This is in clear contrast to the international students, who share a common set of global values, a set that resembles those found in business schools in societies with egalitarian and participatory cultures."[21]

This research suggests that the societies that are reflected in these schools can be grouped into two distinct sets: a more egalitarian set of values (including "empowerment of students and employees, equality of women") found in business schools in the United States, the United Kingdom, the Netherlands, and the Scandinavian countries; and a more complex, less egalitarian, and less participatory set of values (and certainly no emphasis on the empowerment of students) found in business schools in Russia, Lithuania, Poland, the Czech Republic, Japan, France, Spain, and Austria. There is, of course, some potential selection bias in these findings with respect to the students, as they by their past experience and diverse demographic backgrounds are already predisposed toward a more global outlook and less rooted in the ideas and values of a single nation-state. At the same time, there is an important lesson for the prospective MBA: Attending a school outside of one's own country does not necessarily assure a global perspective in the program. It may simply give the student a more in-depth perspective of the culture of the country in which the school is located.

BREAKING DOWN CULTURAL BARRIERS

Enabling a prospective MBA student to gain the three Cs requires first breaking down the walls that limit learning within a single culture or a traditional business model. This calls for opening the mind to the possibility that not all wisdom is homegrown nor will it necessarily be expressed in familiar ways. Rather than reshaping others into a preconceived image, the cosmopolitan enters into their way of thinking and expression both in business and in cultural dimensions. Certainly one of the earliest and most successful practitioners of this approach of *inculturation* (accommodating and assimilating another host culture) was Matteo Ricci, a sixteenth-century Jesuit and one of the earliest European visitors to China. In a distinct departure from the European practice of the time of "civilizing" Chinese into European ways, Ricci learned the Chinese language, donned Chinese clothes and hairstyles, and wrote a text in Chinese and in the Chinese style of scholarship entitled *On Friendship*. By respecting the Chinese people and culture, he earned their enduring respect, opened lines of lasting communication, and made more progress in achieving his goals than any other European of his time in China.[22]

Although living in another country and learning the language is certainly one road to gaining an understanding of global economic environments, it is not the only way. Indeed Kanter has observed that

> Many cosmopolitans are domestically oriented, locally rooted, community spirited, highly patriotic, single-passport holders.... But they also cross boundaries, bridging company cultures as they establish networks of business partners and dreaming of new opportunities that may take them to new international frontiers. They are cosmopolitan in outlook because they think beyond established boundaries. They are open to information from outside their current framework. They take pleasure in new experiences and ideas. They are a step ahead of others in envisioning new possibilities that break the mold.[23]

The prospective MBA should therefore seek a school that similarly thinks beyond established boundaries, is open to ideas from outside, and facilitates the consideration of new experiences and new ideas.

OPTIONS FOR THE PROSPECTIVE MBA

Recognizing that the future leaders of business will all be cosmopolitans, the prospective MBA must still decide how to acquire these capabilities within the context of the format of the MBA that meets all the other financial and lifestyle considerations that are part of the decision of whether to pursue an MBA and which MBA program to enter. The aspiring business leader can and must acquire these capabilities but the means to do so will vary among part -ime, full-time, executive, and online programs. Some schools focus wholly on developing global leaders. Examples of such programs include ESADE in Barcelona, Spain; Fuqua's executive programs at Duke University in Durham, North Carolina; IMD International in Lausanne, Switzerland; and INSEAD in Fontainebleau and Singapore. Each of these programs seeks diversity in the student body to facilitate a lively exchange of ideas with many opportunities for students to learn from one another, both from the perspective of their different cultural backgrounds and from their business experiences in different countries and prior occupations and industries. They can also begin to build their own personal networks of *connections* with future global business leaders. Although classes on each of these home campuses are conducted in English, the interaction with students—and faculty—from other countries and cultures provides firsthand experience with styles of communication, manners, and values that differ by culture. In this way, the schools foster the kind of "global meeting place" that Peter Lorange views as a critical resource within their own organizations for companies operating in a global setting, a place “where executives with problems and executives with possible solutions can come together . . . [to facilitate] dialogue and brainstorming to come up with nonintuitive solutions.”[24]

ESADE’s programs are built on a foundation of a network of international relations—alliances yielding exchange opportunities for students, lecturers, and information with over one hundred universities and business schools around the world. Such alliances offer additional global meeting places. They expand the resources of the home school, enrich the potential experiences of their students, and develop the skills of their own faculty. Sometimes they call for faculty to teach in another culture. (See Table 12.3 for a breakdown of the reasons schools report for forming alliances.) Other times they allow faculty to do research there. Or they call for students to study and/or work in other countries and cultures. They enable students to learn about and experiment with other business models than those that prevail either in their own native country or in their home campus. Often, such exchanges will require the student to achieve fluency in another language. Such experiences help the student develop a more global, multicultural outlook and not be constricted within the norms of a single culture. It has been said that the language of international business is English but the culture is the culture of the customer. This was certainly true when large corporations dominated global business and English has also become the language of most business schools. However, English may not be the universal language of commerce as more and more individuals reach out over the Web to collaborate with others around the world. Learning the language provides an accelerated trip into learning the culture. Such knowledge is especially valuable with the focus of global business directed on the customer.

TABLE 12.3. Selecting Partners for Program Alliances

Factor	Percent
Quality of faculty	78
Types of programs offered	68
Quality of students	68
Reputation/rank	62
Location	60
Accreditation	52
Recommendations	50
Previous experience	47
Other partners	37
Size	14

Source: AACSB International, *Pocket Guide to Business Schools*. Tampa, FL, 2005, p. 37.

IT'S ABOUT DIVERSITY

Essentially globalization requires an easy comfort with diversity. "Diversity is an inescapable reality for any corporation with more than 100 people, wherever it is located," says David Thomas, a professor at the Harvard Business School. And as a *Wall Street Journal* supplement on "the new diversity" put it, "In a global economy, it's no longer about how many employees you have in this group and that group. It's a lot more complicated—and if you do it right, a lot more effective."[25]

The target group for one of the exchanges in which ESADE participates is faculty, though students can also participate and several ESADE students have already done so. The exchange is with the Beijing International MBA (BiMBA), an international consortium of Jesuit business colleges and universities (mainly in the United States) with the China Center for Economic Research (CCER) and Peking University, offering traditional MBA degrees (both part time and full time) and EMBA degrees. Classes are in English, taught by Western faculty to students who are predominately Chinese and who receive a degree from Fordham University on completion of the program. Participating in BiMBA gives the foreign faculty and students rich opportunities to gain understanding of Chinese culture and business practices: from the correct way to hold chopsticks to an appreciation for the role of China's imperial history in today's events; from the proper way to express greetings to an appreciation of the importance of preserving "face"; from the correct way to present a business card to the importance of personal relationships in doing business; from an understanding of Chinese self-image and aspirations to an appreciation of the necessity of win-win proposals for successful collaboration and joint ventures. The students are forming connections with the future business leaders of China while acquiring key competencies. The students are fully cognizant of the multidimensional nature of the benefits of the program. When asked why she decided to pursue an MBA, Ruth Zhang, a member of the class of full-time MBA students starting in fall 2005, said in an October 7, 2005, e-mail to one of the authors that she wanted to gain "systematic business knowledge, network building, information sharing, higher platform and broader vision." Again a global meeting place is formed; students and faculty learn from one another; and the faculty bring the understanding gained through the exchange of ideas, case studies, and work experiences with the BiMBA students back to their students in their own home campuses. Thus the faculty, too, gain a more global outlook.

Duke University's Fuqua School offers two different globally focused executive programs, each offering a combination of classroom teaching, online interaction, and residencies abroad. The weight on each of these components varies according to the work experience and responsibilities of the participants. In each program the cohort of culturally diverse participants creates a global meeting place where ideas can be exchanged and understanding achieved.

Because the residencies are relatively short, are intense, and are experienced in a cohort, they probably resemble a study tour experience more closely than a traditional exchange program in which a student would spend a semester on the campus of an affiliated school. In that, the program imitates the rapid pace and flexible demands of the global manager.

Although all classes are in English, INSEAD probably puts the greatest cultural demands on its students, as the program requires that they be proficient in English and a second language when they enter the school and that they achieve proficiency in a third language by the time they graduate, some ten months after entry. With a diverse student body, most with global work experience, two campuses in vastly different cultures, the resources of such collaborations as the INSEAD-Wharton Alliance, and a strong emphasis on teamwork, it provides not only a global meeting place for the exchange of ideas but also rich experiential learning opportunities on how to work with and manage multicultural teams.

IMD's programs are focused on developing global leaders. Again the diversity of the student body provides a global meeting place in itself. In addition, the MBA students have joint sessions with the students in the executive programs, thus giving them wider opportunities for interaction and learning with more senior managers and executives. Study tours and consulting projects provide opportunities for experiential learning with multicultural teams. And IMD's dynamic learning networks of people in firms around the world provide further opportunities for dialogue and brainstorming on emerging topics while building personal networks of connections. All the exercises are intended to foster a willingness to experiment, to be open to alternative business models, and not to be wed to a single culture in the belief, as expressed by one of its visiting professors, that "global leadership has no 'dominant culture,' but takes a broad perspective of all cultures."[26]

MBAs AND THE COSMOPOLITAN CONNECTION

Not every prospective MBA can participate in a program that is focused on global perspectives, but this does not mean that they will be denied entry into the cosmopolitans. Rather students need to assert added responsibility in shaping their own portfolios to achieve an analogous mix of skills, experiences, and connections to what the global programs are designed to achieve. These capabilities can be grouped into Kanter's three Cs.

Concepts. The goal of every manager is to be able to provide cutting-edge ideas because the manager's employability is directly related to this ability. The hallmark of the cosmopolitan is being mentally and emotionally agile and flexible, open to new ideas and ways of thinking, not tied to one business model, and always willing to experiment and to learn. These attitudes can be self-nurtured.

Competence. The programs infuse global elements throughout the curriculum but may also add specific courses such as global financial management or cross-cultural negotiations. Whatever program a student is pursuing, he or she must take care through course work or experiential learning to master the special global implications of the discipline. In addition, however, global managers do not limit themselves to a disciplinary silo; rather, they must be cognizant of special global issues in other disciplines. The financial analyst, for example, must be knowledgeable in the key concepts of international accounting. Similarly, the marketing manager must be expert in cross-cultural communications and negotiations. These programs also offer abundant opportunities to increase cultural and linguistic understanding. Although most MBA programs leave little room for language studies, diversity among faculty and students offers rich grounds to gain a greater understanding and appreciation of other cultures even without fluency in another language.

Connections. These are an essential part of each MBA's portfolio. The prospective MBA who has already worked and/or studied abroad and who builds on this experience during the MBA program clearly has a larger set of such connections and an initial advantage in this regard. These are a dynamic resource, however, and must be constantly renewed. Thus, with effort, the prospective MBA can build a personal set of global connections.

What are the building blocks with which an MBA student can globalize his or her own portfolio?

- *Seek out global electives* that enrich core subjects and specializations. Whether or not the school has a global focus, most offer a menu of upper-level global elective courses.
- *Cultivate relationships* among fellow students of other cultures and nationalities. Face-to-face exchanges offer valuable experiential learning.
- *Consider a term abroad*, if possible. Immersion in another culture is a form of accelerated learning.
- *Polish any language skills.* Fluency in another language provides an accelerated entry into that culture and is a measure of respect for the native speaker.
- *Consider a study tour*, which is a highly compressed but often very focused and effective version of a term abroad. Such tours usually include both cultural and business topics.
- *Seek out internships* and field studies/consulting assignments with international organizations. Such experiences also offer opportunities to work in teams, hone multicultural understanding, and expand networks of personal connections.
- *Participate in multicultural societies.* These provide opportunities for learning and for building connections.
- *Try to create your own global meeting place.* Keep yourself open to the ideas of others and be ready to change.

Ultimately globalizing oneself, becoming a cosmopolitan, is about learning but it is even more about attitude.

Most MBA programs these days have international global designations and courses that open a window on what has been called "the death of distance," one of the central features of globalization. Globalization is not only an abstract concept or a theoretical formulation but also the product of a shrinking world with instantaneous communication and incentives to foster cooperation to assure global markets. MBA students, however, quickly learn that while they may fancy themselves as citizens of the world, they are still nationals of a given country and as such need to develop sensitivities to differences in language, culture, customs, values, and practices. The MBA program is, in fact, a laboratory in which ideas about global business can be examined, questioned, and integrated into one's skill set as a prospective manager or leader who will likely be called on to do business abroad or to receive international colleagues and customers at home. The prospective MBA needs to consider the variety and quality of globalization opportunities in the school of his or her choice, ranging from specific courses and services to the presence of an international student body. Globalization begins at home and globalization always involves a nexus between people at home and elsewhere. It is a continuous process, one that will change and that will require resilient MBAs to manage it.

CHAPTER 13

FINDING THE "BEST" BUSINESS SCHOOL

As he completed his MBA at MIT's Sloan School of Management in May 2005, Maxim Mironov likened his experience there to "being in the center of a hurricane" as he enthused about "a unique opportunity to generate ideas [and to] bounce them around talented and ambitious folks,"[1] his fellow students and faculty members at the Cambridge, Massachusetts, school. Like most people finishing MBA programs tracked down by the business news media, Mironov expressed considerable satisfaction with the school that he had applied to and that accepted him. This optimistic outlook is typical of many graduating MBA students as they face the job market and imagine themselves launching successful careers that will redound to personal and professional achievement—hopefully well remunerated. Later, after some years of work experience factoring in successes and failures, MBA graduates can offer even more analytical and critical assessments of their alma mater and other MBA programs. Always, the MBA represents a crucial experience in one's life and ultimately two important concerns are whether one's thinking and learning have been significantly affected.

A prime example of this is Brian Ruane, executive vice president of the Bank of New York. He studied accounting in Ireland which, he says, "gave me a strong technical grounding in accounting and finance, as well as the personal and business standards expected"[2] in that profession. Later, as he rose in the ranks of his present firm, he was encouraged to get an MBA and did so at the Frank G. Zarb School of Business at Hofstra University. "That experience," as he put it in an interview, "exposed me to new and exciting perspectives on business thinking, marketing, strategy, and planning, but also the optimism that I believe defines the U.S. business school experience."[3] This meant a broader and more expansive view of business in a world where everything is always changing. And one result of this was Ruane's role in the creation of a pioneering data warehouse for hedge funds, which "showcases our strategic focus on providing innovative end-to-end technology solutions that improve the effectiveness and efficiency of our hedge fund clients,"[4] one that departs from the conventional silo approach, discussed earlier. Ruane is enthusiastic about B-schools and serves on the advisory board of the prestigious University College Dublin's Michael Smurfit School of Business while supportive of his U.S. alma matter, too. Importantly, he encourages and hires MBAs from a variety of accredited schools. In MBA job applicants, he looks for people "who are well read both on business and non business related topics,"[5] and most especially, "those who possess energy, drive, and determination to succeed."[6] Brian Ruane has a long and comprehensive view of the MBA, his own and others.

Unfortunately, it is not possible for people exploring MBA program options to go "back to the future" to determine whether their quest for the MBA degree and interest in a particular school will be worth all the angst and trouble. MBA applicants chart a challenging pathway to their future, one beset with rigorous academic work and high expectations for gaining real value from the experience, which is often balanced with work and one's personal obligations.

Whether "stopping out" from a career already launched to seek this educational credential is the right thing to do requires some personal forecasting. This involves determining wherein one's personal interests and long-term educational needs exceed the value of pure "experiential learning," on the job. As we've mentioned earlier, MBA choices are complex, multifaceted, uncertain, and even risky. In fact, thinking about MBA choices not simply in a linear fashion, whereby one compares benefits and risks, but as a more dynamic and interactive process, comes down to personal compatibility within the realities of what school or schools one can be admitted to by virtue of prior education, test scores, work experience—and the ability to pay.

In effect, some of what we discussed in Chapter 10 regarding the application of portfolio theory—and diversification—applies here. In fact, one application of that theory is to determine whether the MBA has a compounding effect on experiential learning. In some instances that might mean that an MBA-trained manager will better navigate the benefits and risks of business life because of his or her broad theoretical education that offers a large context for decisions and long-term planning that would not likely have happened without the degree program. At the same time, people who return to school after some years in the workplace find their experience informs and enriches their understanding of formalized knowledge about business.

IMPLICATIONS OF CORPORATE SCANDALS FOR MBAS

Not unlike a job search in which one is beset with information and advice—sometimes optimistic, sometimes gloomy—on the state of the job market and presumed long-term prospects for particular career choices, the individual needs only *one* job—or, in this case, *one* MBA program—though the choice will be made against the larger context of trends and forecasts that in the past have often been wrong. There is an axiom that *as the economy slows down, business school applications rise*—or the flip side of that observation. It is incontrovertible that the state of the economy is a major determinant of whether people flock to business schools or opt instead for active employment. When the economy slows, business failure, hiring freezes, downsizing, and layoffs can make MBA programs seem like attractive "brain banks" that allow prospective managers and leaders to "stop out" and seek advanced education as they prepare for better times.

Along with the state of the economy, the state of business and the way the public perceives it also play a role. Similarly the rash of corporate scandals in the early 2000s when the CEOs of Enron, Adelphia, WorldCom, and other executives were accused—and convicted—of corruption triggered by greed did nothing to burnish a positive image of business or business schools. It raised questions about both as both fretted about damage control strategies to improve their images. The two go hand in hand. As Leonard R. Sayles, a retired Columbia University B-school professor and coauthor of *The Rise of the Rogue Executive*, put it, " the American free market, capitalistic system had been the envy of the world—and so were business schools." Then, as he said in a lecture, came "the whiff of corruption . . . heretofore unknown and undetected in business,"[7] which also involved and had impact on business schools. Both would take their lumps in the midst of the scandals.

Amid images of Martha Stewart going to jail for what Sayles and others call, "penny ante" corruption, he says B-school professors and deans were often either complicit or cheerleading on the sidelines. In the midst of the Enron scandal, large by any measure, and a tipping point for identifying corrupt practices in business, came the reforming Sarbanes-Oxley legislation that regulates business and accounting practices. Although the main focus of any consideration of business scandals falls squarely on business itself—both the major firms involved their accountants and auditors as well as major investors, who hindsight suggests should have known better—Sayles and Smith accuse business schools of having a blind spot when it came to the pattern of the deceptions. As for business school links, clearly they include the role played by the dean of the Stanford Business School as chairman of Enron's audit committee at a time when the *Harvard Business Review* and a group of business school deans ranked Enron as the most distinguished company in America.

These realities and the resulting images in the popular business media did nothing to enhance the status of business as a career or MBA programs as the best training ground for business, though both have withstood that blow to their reputations. As noted earlier, business schools addressed the implications of corporate scandals, grotesque executive compensation (which was related to misguided incentives including stock options that sometimes triggered price manipulation), and other business malfeasance. In the midst of these crises B-schools were less inclined to make public pronouncements calling for government action or other reforms, but more inclined to institute ethics courses and urge professionalism and self-control. What else should B-schools do? In preparing their students they'd do well to heed and acquaint their students with the Sayles-Smith roster of major forces that led to what they call the "mis-shaping of executive business decisions and many high cost failures," including:

- individualism run amok;
- investor impatience;
- finance and accounting in a central role;
- wheeling and dealing; and
- neglecting the heart of a business.[8]

Anyone headed for a business school should seek out a program that is aware of and attentive to these conditions—and schools should fashion a curriculum that prepares future MBAs to avoid them. Jon M. Huntsman, CEO of the chemical industry's respected Huntsman, Inc., agrees. The author of a popular book, *Winners Never Cheat: Everyday Values We Learned As Children (but May Have Forgotten)*, he had this to say about B-schools in a magazine interview:

> Business schools can be extremely helpful in pointing individuals in the correct direction and helping them understand that ethics and integrity are far more important than anything else they'll learn in the classroom.[9]

So although applications do indeed follow the economy and B-schools are sometimes blamed for the transgressions of business, they are also training grounds for doing business the right way. Corporate scandals have been a wake-up call for business and for management education.

APPLICATIONS FOLLOW THE ECONOMY

There is, of course, some irony in the impact of economic growth or slowdowns on B-schools as the *Princeton Review* remarked in 2004: "But what happens now, when the economy is in a recession and hiring freezes and lay-offs are standard fare? Business school applications skyrocket. This has made for an odd time: New graduates are facing one of the toughest job markets since the early '90s while prospective students appear to be kicking down the door of business."[10] But a year later, as the economy rebounded, it was reported that B-schools were truly beleaguered with "these troubles [coming] at a time when MBA programs find themselves facing one hurdle after another."[11]

The problem—enrollments were down, tuitions were up, and average MBA salaries failed to keep pace. Hard hit were some of the top-thirty schools that admitted they were getting less selective in order to fill their classes. As *BusinessWeek* reported in a review of its top-thirty ranked schools, applications declined nearly 30 percent between 1998 and 2005, while tuition rose 55 percent and salaries stagnated or remained flat. Part of the problem in any calculation of this kind is the lag between the decline in salaries and the decline in graduates, thus exacerbating the "bubble." Questions abound as to whether business education is overbuilt and thus the victim of the law of supply and demand, or is simply in need of adjustment wherein schools reduce their class sizes just as an adaptable business would.

Market fluctuations aside, most business leaders and corporate recruiters still favor MBAs over other training for business in specialized fields and disciplines. Or as one recruiter said, "this too will pass and business schools will be strengthened by it." Columbia Business School Dean Glen Hubbard agrees, saying he's often asked by recruiters whether their best people need to go back to school for the MBA. "I argue that they should . . . but there will always be people who will be successful without it."[12]

Still, Stanford's skeptical Jeffrey Pfeffer reminded *U.S. News & World Report* that there are many thriving companies (Southwest Airlines, Pixar, and Men's Wearhouse, for example) as well as entire countries (Japan, Germany, and China) that have done just fine without large numbers of business school graduates. "There is little evidence that mastery of knowledge acquired in business schools enhances people's careers,"[13] he wrote in a controversial 2002 study. And although there will always be a flurry of publicity when businesses promote internal stars who do not have the MBA, that's not a demonstrable reality in many places. Indeed Pfeffer's critique met a powerful counterargument when it was first published, and many would argue that countries such as China, where MBAs were once all but unknown, now can't produce enough to meet the demand.

In the midst of a leaner, and meaner, climate in which B-schools must prove their worth, the value of the MBA holds fast because it still offers the most relevant and rigorous training for most business enterprises, understanding, of course, that experience in the substance—the core mission and content—of specific businesses and industries must also be mastered quickly and well. And, as we mentioned earlier, the Sarbanes-Oxley act has made business even more attentive to such matters as signing off on financial documents, something that requires knowledge and training best gotten in a B-school.

MBA OPTIONS ABOUND, BUT RAISE QUESTIONS

If one is determined to seek an MBA, trends related to the business cycle should be clearly in one's line of sight, but ought not necessarily determine whether to enroll in an MBA program, but instead, which one and on what platform. As Chapter 1 notes, MBAs come in several styles, sizes, and flavors, and the applicant who follows Benjamin Franklin's admonition "to know one's self" will want to consider his or her various strengths and disadvantages. Again, *one size does not fit all.*

Most of what we've written has addressed full-time MBA programs and to some extent the part-time MBA. And we noted specifically that comparisons are tricky because of the general assumption that ROI is higher for graduates of full-time programs, which may be true over the long haul, but not necessarily in the first three to five years after graduation. This is when part-time MBAs often report higher ROI largely because they had no foregone earnings because they were able to maintain jobs and income while doing the degree.

We've said less about the executive MBA (EMBA) or the MBA delivered online. In general, full-time MBA programs are more prestigious than those in which students go part time, even though many institutions offer both, and no difference exists between the courses taken and the diplomas issued to graduates. Although all MBA platforms (types) are now ranked, the full-time MBA has the greatest prestige and, thus, those rankings carry the most weight. Why? It is often assumed that students fully committed to on-campus study without the interruption that jobs and family life require are more serious and get a better education by virtue of single-minded focus and commitment to education above all else. Further, full-time MBAs give up considerable income when they opt for the classroom. Part-time MBAs are by definition serving two masters—their bosses in business where they still work and the business school courses they sandwich into their lives. Most full-time and part-time MBA programs require the GMAT exam and a requisite four years of business experience following an undergraduate education. Executive MBA programs are often seen as less rigorous and academically demanding, embedded as they are into weekends, and cater to businesspeople who find it difficult to disconnect from their work while attending classes. Thus the image of the Blackberry-wielding weekend EMBA student looking nervously at the little screen while trying to listen to a lecture.

Still, there are those who bristle at critics who assert that an EMBA is "an MBA Lite." As Kate Hazelwood wrote in *BusinessWeek*, "EMBAs are a breed apart. They identify heavily with their executive-level responsibility and status—and they value a top flight faculty and a student body that reflect those lofty heights."[14] Many leading and lesser known EMBAs don't require the vaunted GMAT, thus raising questions about the competencies of these students who are years away from college testing and other academic exposure. As for measuring the impact of the MBA short term, full-time students usually go to new jobs with new competitive salaries, whereas part-time and EMBAs are likely to stay with the same employer and thus remain somewhat flat in salaries and promotions, compared with those seeking new opportunities. For them a longer-term assessment is needed if their employer has underwritten MBA costs, which should be factored into any compensation growth.

For the most part, the three platforms just mentioned—*full time*, *part –time*, and *EMBA*—are offered mostly by mainstream universities with well-known names, whether public or private. All three are changing the shape of business education, which "faces a fresh series of changes as the full-time course is challenged by the same qualification that can be acquired by remaining at work,"[15] according to a special report in the *Financial Times*.

It is a somewhat different story for the distance learning online degrees, called MBA Online, which are marketed primarily by relatively new e-education institutions and in some instances for-profit businesses. However, several mainstream business schools have developed online or distance education programs, including Pace University in New York City and Drexel University in Philadelphia, to name two. Although online courses are often designed and taught by fully qualified faculty, control over the work of the student is less certain than it is in universities in which faculty "surveillance" is more direct. It is more difficult to verify who actually does the work when students take exams and submit papers over the Internet.

Further, a recent study of educators and employers took a dim view of online degrees, questioning their legitimacy and quality because few are fully accredited by the AACSB. In a study of online degrees generally, not only those in business, academic administrators doing hiring and recruiters from business do not regard them as equivalent to degrees done in conventional campus settings. It can be argued, however, that online degrees are too new to be evaluated fairly, and making comparisons with other MBA degree platforms is purely speculative, not based on much evidence to date. The online degree (also known as distance learning and virtual education) may ultimately test the worth of the more traditional programs because it is extremely cost-effective and can be undertaken anytime day or night, rather than following conventional college schedules. At the same time, the personal contact (AKA face time) with and between faculty and students in grounded programs is believed to provide considerable advantage.

Whether one should opt for a full-time, part-time, executive, or online program depends on many personal and professional factors in the short and long term. The point is that people make necessary choices driven by academic ability, financial wherewithal to finance their education, location of the program, convenience of entry, and its current status and appeal. Over the long term, other factors may be more important as a program with a better pedigree may yield a better job, more and better access to recruiters, and other considerations. Just as businesses are faced with long-term and short-term decision points, so are people seeking an MBA education. While writing about EMBAs specifically, Denise Bynum, a consultant at the University of Texas MBA at Dallas/Fort Worth, argued in the *Fort Worth Business Press* that

> Within the Metroplex [as the greater Dallas-Fort Worth area is called], the supply of Executive [and other] MBA programs is plentiful; finding a program is easy—choosing the right program more difficult. Before you begin your evaluation process, assess your personal goals. An Executive

MBA requires a commitment of both time and money and you want to be sure you choose a program that offers a good return on both. In addition, you'll want a program that is conscious of the investment you are making, that is challenging and intellectually stimulating. At this point in your career [and life], you shouldn't tolerate anything less. Do not let trivial factors detract from the importance of the process. This decision is an important one and one that you will continue to live with long after you have earned your degree. Do not lower your personal standards unnecessarily. Devote as much time to this decision as you would to any other major purchase or lifestyle choices.[16]

Bynum rightly advises looking at a program's *admissions standards*, including the GMAT and other *admission criteria*, as well as the *strength and reputation* of the school; the *quality* or "bench strength" *of its faculty*; and *overall school support* for the program, especially for the EMBA, which can be a matter of high priority at a school with multiple platforms or a poorly staffed appendage.[17]

In many ways we are more used to making such discerning decisions about buying houses, apartments, or cars as we consider quality, price, location, prestige, durability, the evaluation of experts, and so forth. Alas, to date no one has come up with used or previously owned MBA, however. Clearly, similar information about MBA programs exists, though finding agreed-upon metrics for comparisons is more difficult. There are no cross-referenced comparisons between the different MBA platforms, between schools in different geographic regions, between schools measured against long-term alumni success, or other considerations. Even price point comparisons are hazardous, as our discussion of ROI (return on investment) reveals in Chapter 8.

THE PERSONAL PLANNING PROCESS

As a stimulus to the personal planning process that aims at promoting the GMAT exam, the web site www.mba.com, asks these important questions:

- Where do you want to study?
- What is your gender?
- Can you clearly state why you want an MBA?
- Does your desire for an MBA reflect a clear career goal?
- Have you selected the schools you want to apply to?
- Do you want to meet with school representatives?
- Have you taken the GMAT?
- If you plan to take the GMAT, when will it happen?
- Have you started to apply to schools?
- Have you accepted an offer from one of the schools you applied to?
- Have you figured out how you'll pay for your MBA?

Not surprisingly this site and others offer services to help investigate and answer these questions. Indeed, a virtual cottage industry assists applicants plan and study for the GMAT and tracks down answers to various questions that loom large in the minds of people considering graduate schools of business. There are MBA "coaches" and various outside consultants who, for a handsome fee, will guide a person through the admissions process. We have heard of one individual who paid in excess of $25,000 for this service. When a relative questioned the wisdom of such expenditure instead of prepping oneself, he shrugged his shoulders and said, "Since I got into a better school than I thought I would, to me it was worth it." There are more cost-effective ways to get help including, for example, for a subscription fee, www.USNews.com. It offers Web extras that probe the followingand other questions:

- What are the hardest and easiest schools to get into?
- Which schools' graduates have the highest average salary?
- What are the largest and smallest full-time business programs?
- What are the largest and smallest part-time business programs?
- Whose graduates are the most in debt? The least?
- Which schools have the most full-time international students? The least?

These questions suggest a need for calibration between one's ultimate life and career goals and the school or program one wants to attend. Of course, no one can predict either with any accuracy. So thoughtful people make their best-informed judgments in light of present circumstances, hoping that they ultimately align with long-term needs. And given the exponential growth of information and knowledge today and into the foreseeable future, continuing education and advanced executive study must be available as the business world and society itself both change.

Some of the web sites mentioned, as well as others, prove instructive as one considers such questions as hardest and easiest schools and offer data on acceptance rates (10 percent at Stanford and 100 percent at Virginia's James Madison University, both of which report high undergraduate grades and high or clearly respectable GMAT scores), average GMAT scores (from a high of 711 to a low of 440), as well as average undergraduate GPAs (from a high of 3.67 to a low of 2.90). The differences reflected in reports on individual schools are worth consulting both to determine whether one is within striking distance of being accepted and as a cue to the academic quality of those already enrolled there. Other factors worth one's consideration are average starting salaries and bonuses, percentage of people employed three months after graduation, and, of course, the all-important figures for residential and out-of-state tuition and fees. Ultimately, admissions committees look at

- GMAT scores;
- undergraduate GPAs;

- undergraduate college quality;
- demonstrated leadership;
- extra-curricular activities;
- work experience;
- application essay or other writings;
- letters of recommendation; and
- personal interviews.

Although there is room for a "weighted average" at some schools, the more competitive the school, the "less room there is for weakness in any of these areas,"[18] according to the *Princeton Review*. The authors' experience with admissions committees—both personally and observed through accreditation visits, interviews, and other evidence—suggests that the GMAT and undergraduate grades clearly dominate the admissions criteria with an eye on the quality of the applicant's undergraduate institution and more nuanced factors such as experience of students with similar profiles and backgrounds or concern for diversity to assure racial and ethnic representation in an MBA class.

THE CONTINUING GMAT DILEMMA

Assuredly the GMAT is not a test of business competency, but instead a general assessment of verbal, mathematical, and analytical writing skills. Unlike the Graduate Record Examination (GRE), which tests in specific fields of knowledge, the MBA is concerned with reasoning and a presumed ability to adapt to a wide variety of conditions in the world that may impinge on business, as an institution of the larger society. The Graduate Management Admissions Council, which administers the GMAT, says the test scores have two important characteristics:

- They are reliable measures of certain developed skills that have been found to be important in the study of management at the graduate level. They have also been shown to be good predictors of academic success in the first year of study at graduate schools of management.
- Unlike undergraduate grade point averages (or assessments) and curricula, which vary in their meaning across institutions, GMAT scores provide school professionals with a consistent, standardized evaluation tool for all applicants.[19]

Certain critics assert that the GMAT is culturally biased and fails to measure either intelligence or skills. Further, schools put so much emphasis on them that prospective MBAs can take the test over and over again until they raise their scores. Other criticism has centered on GMAT security and protecting against surrogates taking the exam for others, especially among international students in less than secure testing venues abroad. To protect against this, the GMAT

Two Examples From the GMAT Test

Critical Reasoning

1. *The average normal infant born in the United States weighs between 12 and 14 pounds at the age of three months. Therefore, if a 3-month-old child weighs only 10 pounds, its weight gain has been below the U.S. average. Which of the following indicates a flaw in the reasoning above?*
   a. *Weight is only one measure of normal infant development.*
   b. *Some 3-month-olds weigh as much as 17 pounds.*
   c. *It is possible for a normal child to weigh 10 pounds at birth.*
   d. *The phrase "below average" does not necessarily mean insufficient.*
   e. *Average weight gain is not the same as average weight.*

Data Sufficiency

For the question below, indicate whether the data given in statements (1) and (2) are sufficient for answering the question:

a. *Statement (1) is sufficient, but statement (2) alone is not sufficient.*
b. *Statement (2) above is sufficient, but statement (1) is not sufficient.*
c. *Both statements together are sufficient, but neither alone is sufficient.*
d. *Each statement alone is sufficient.*
e. *Statements (1) and (2) together are not sufficient. [Ready for the statement?]*

How many books does Ricardo have?

1. *If Ricardo had 15 fewer books, he would have only half as many as he actually has.*
2. *Ricardo has twice as many fiction books as nonfiction books.*

testers plan to adopt new technological security protections including biometric fingerprinting and surveillance cameras.

Is the GMAT ever waived? Yes, in some schools in which students arrive with advanced degrees in other fields or substantial technical knowledge, for example. And it is not uncommon for EMBA programs to waive the test. In 2005, *BusinessWeek* reported that thirteen of its top twenty-five ranked EMBA schools waive the exam. The practice, or rather the question, "to waive or not to waive" has spurred "a raging debate inside the closed-door world of B-schools," the magazine reported. The rationale ranges from critiques of the exam's efficacy to charges that schools are abandoning their standards in a quest for the older, executive MBA student. EMBA students come with greater business experience than those in most full- or part-time programs, and thus it is said that either the exam is irrelevant to their performance in business or that they are too far from general education to pass it. More quietly, some school officials admit that minority students have more difficulty with the GMAT, and strict adherence to the exam would undercut diversity efforts.

On the other side of the table, some argue vehemently that without this benchmark there is no way of telling whether students have sufficient quantitative and analytical skills to do MBA work. And, of course, the exam is a unifying metric against which to compare all applicants. Some say it is a good barometer of basic verbal and quantitative ability; others say it is a crude measure and that the barometer (or thermometer) is, in effect, broken. The *New York Times*, in its January 12, 2003, article titled "If You Mean Business," offered its readers a sample from GMAT reasoning sections—including critical reasoning and data sufficiency.

Although the GMAT attracts much attention and inspires angst for those taking it, especially anyone years from formal classroom instruction, it does play a key role in the admissions process and may serve as a warning to the quantiphobic person who fails to understand that business managers deal with numbers and quantitative assessments, often in a creative context wherein the politics of a budget or financial statement can be as important as the actual numbers themselves. This is not to say that persons who are not whizzes at math can't succeed in business; but they do need to be ready to make the quantitative commitment, and that is one of the requirements of the GMAT. Increasingly businesspeople need to read and understand research from R&D reports to market and public opinion studies. That takes analytical ability.

ESSAYS, EXPERIENCE, AND INTERVIEWS

True to their academic origins, B-school admissions committees value the written essays presented with the application as well as the prior work and other real-world experience the applicant brings. Once these and other factors are assessed, prospective students who make a preliminary cut are called for personal interviews.

The Admissions Essay

In the essays, admissions officers and faculty admissions committee members look first for a person's ability for written expression. Here sheer writing aptitude and straightforward expression are greatly valued as is the capacity for synthesis and the ordering of information. Busy committees read these essays carefully, but even more carefully if they are facile documents that provide a glimpse into the background, values, and personal aspirations of the applicant. Here one gets a first glimpse at the personalities behind the applications, their modes of operation, personal priorities, and attitudes about themselves and others. Increasingly, sophisticated business leaders need a strategic communications capacity, though many business schools are criticized for doing too little about this once a student enters the program. As Michael Sands, president of Orbitz.com, complained in the *Wall Street Journal*, he had to hone his communications skills on the job, "sort of like an apprenticeship."[20] The need for corporate, management, and crisis communications is critical to reputation and brand image issues, he says. Not withstanding whether the majority of business schools require rigorous communications course work (they don't), they still want new MBAs to demonstrate written command of the language.

Undergraduate Education

Although the admissions essay often tilts toward the future, it also synthesizes the applicant's background, including his or her undergraduate school and the requisite business experience required by virtually every business school. The essay underscores the applicant's baccalaureate experience, trumpeting the prestige of the undergraduate college in some instances or making the case for a lesser-known school in others. Unfortunately, B-school professors, often obsessed with rankings for reasons we've already reviewed, also can exhibit a snobbish attitude toward the undergraduate pedigree. This is patently unfair in many instances given a presumed preference for an elite private liberal arts college versus a high-caliber state university. The case can be made that students who get their undergraduate education at midrange research universities may have acquired an equivalent or better education than those at some highly rated liberal arts colleges at which faculty members rarely do original research and students have little exposure to the rigor of having graduate students on campus. In Chapter 4, we mentioned the changing pedigree of CEOs, who are now less likely to come from elite schools than was once the case. The point is that there are thousands of colleges and universities in the United States at which the motivated and capable student can get an education second to none, institutional prestige and pedigree aside. The problem is convincing admissions committees this is so. Resourceful applicants do this by mentioning the kind and quality of faculty they worked with, study abroad programs, projects and publications deriving from their education, and so forth. This is pernicious business and clearly bears the marks of prejudice, but it can be and is overcome. Those who come from eminent institutions usually get a pass on this matter. Institutional pedigree and prestige of undergraduate majors are central to class consciousness in America, as Joseph Epstein pointed out in his 2002 book, *Snobbery: The American Version*, wherein is a classic exchange between two proud mothers of college students, each asking about the other's child. As Epstein reports, the difference between the student studying photojournalism at Arizona State and art history at Yale says it all. The eminent Harvard economist John Kenneth Galbraith used to chuckle about this preoccupation with status when he reminded his students that he did his undergraduate work at an agricultural college in Ontario—and his Ph.D. at the University of California, Davis, "before people knew it was good." As he said in a conversation with one of the authors, "either acknowledge your undergraduate school and say little, or make the case for yourself and the education you got."

Work Experience

The experience factor also offers another decision point for admissions committees because that is a way of learning to what degree the applicants have been exposed to the world of work. Did they learn the meaning of work in a business, factory, or white-collar firm? With whom did they work? What did they do? What kinds of experiences did they have? Exposure to routine? To crisis? To change? Many argue that virtually any kind of work experience wherein the applicant was exposed to job pressures, personal responsibility, and teamwork is valuable. Whether the applicant worked in a family business, traveled faraway in a riskier environment, or had experience in some other venue all adds up to a sense of the person and his or her current and potential capacity. Some admissions committees emphasize relevant work experience hoping that a potential MBA in accounting will have worked in an accounting firm or in that capacity in a business or nonprofit. The same goes for various financial institutions or industries such as high technology, biomedicine, pharmaceuticals, or communications. Whether an applicant has actually supervised others may also be a plus factor for him or her. One former executive at the Educational Testing Service in Princeton, New Jersey, spoke highly of military experience, especially that accorded young officers from an ROTC background. Such people get "remarkable supervisory experience over scores, sometimes hundreds of people that they won't get again for many years in civilian life,"[21] said Robert Warner, himself a retired naval officer. Although work experience is rarely put under a precise microscope by admissions officers, it does play a role. Someone who has been involved with an entrepreneurial venture or has worked in a giant corporation can also work that into the admissions essay.

The Interview

Next, for those fortunate enough to get this far, comes the interview. The interview is typically with an admissions officer on the road—or at the school—and/or with a faculty admissions committee. The interview serves at least two roles. First, well beyond the paper (or electronic) application, it determines whether a person is ready for business school. Here the applicant's background and experience can be showcased, and under questioning his or her level of maturity is made clear. Second, the interview offers insight on what the applicant actually brings to the table—what the applicant offers to fellow students as far as experience and knowledge go and the degree to which he or she will interact in a manner that is beneficial and productive for peers and faculty advisers. The interview supplements the application and truly gives a human

A Sampling of Admissions Interview Questons

- What factors have you considered in researching MBA programs?
- What skill sets do you expect the MBA to provide in order to advance your career?
- On graduation day as you stand at the podium with diploma in hand, what measurements will you use to determine whether your MBA experience was a successful one?
- Do you consider your career progression to date to be representative of your abilities? Why?
- What would you say is the most important thing you are looking for in an employer?
- Give an example of a task you were assigned at work and did not find enjoyable. How did you motivate yourself to get the job done?
- Tell me about a time when you set aside your own responsibilities to help a colleague.
- Tell me about an experience that illustrates your ability to work under pressure.
- A department in which you have been working for two years hires a new associate. What steps are you going to take to ensure that the new hire is made to feel welcome?
- As your career progresses into a more managerial role, what managerial practices that you have personally experienced will you emulate and which would you rather forget?
- Describe a situation in which you took a leadership role in a project at work. What was the outcome?
- Describe a time, either personal or professional, when you stood by an unpopular decision or position.
- Imagine that you are on a team that consists of a couple of non-English-speaking international students for whom English is their second language. What challenges do you see the team, the international students, and yourself facing?
- Describe self-development activities in which you have participated in the last year.
- I am going to pay for subscriptions for you to five periodicals. Which ones will you choose and why?

Source: Frank Fletcher, director of admissions, Fordham Graduate School of Business, November 3, 2005.

face to it. It is also an in-person "test" of one's ability to speak English, express oneself effectively, and cope with complexity and nuance. As Frank Fletcher, director of admissions at Fordham's Graduate School of Business, remarked, "We try to ascertain a sense of the whole person—to get a feel for strengths and weakness and to understand what they'll bring to the class as far as knowledge, experience and ability to work with others goes."[22] To Fletcher, and other admissions directors on the lookout for the best suited, it is all about "fit." In the interview, "the admissions committee can gauge an applicant's fit with what the school has and offers. In determining fit, we structure the interview to measure not only an applicant's knowledge and skills, but also their curiosity, creativity, confidence and character." And, he adds, that candidates who interview tend to know themselves—and their motivation. "They are confident, without being too self assured; well prepared without providing staged responses; and inquisitive, but ask value-added questions more than just a basic knowledge of the program they are pursuing."[23]

CONSIDERING THE ODDS

Understanding the mind-set and values embedded in the admissions process is crucial for anyone considering the degree, and putting the essential information together is not as straightforward as it seems. As noted, the admissions process puts the GMAT, undergraduate education, work experience, essay, and interview into its calculus in deciding who gets in and who doesn't. But the applicant also has a critical influence in all this. A particularly desirable applicant will likely have several options and will get a sense of the school and whether he or she will really like what it offers on the basis of being on the receiving end of the admissions process.

A look at comparative GMAT scores tells one something about the intellectual environment of the schools one is considering with one important caveat. Some schools manipulate the way they report their GMAT scores, giving only partial results. The more one can learn about the undergraduate colleges typically attended by students in a particular MBA program is an indication of how well one might fit in and whether one might like the institutional mix and regional or national character of the school.

It may make a difference to some applicants whether their peers were largely humanities and social science majors at liberal arts colleges or science and technology graduates of colleges with that underlying emphasis. Sometimes MBA classes have members with graduate degrees in other fields. Are those in engineering or technology or in medicine, law, or public policy? Again, this offers an indication of the flavor of the class. Increasingly in a global world the mix of international students and others reflecting ethnic diversity is vital. So too is gender representation. Is the school skewed toward males or open and friendly toward females? A look at the faculty composition may also be important. Are there women? Members of minority or ethnic groups? Internationally trained and experienced persons whether Americans or those from other countries? To the extent that schools publish information about their students' work experience, one can learn from what industries fellow MBAs come and perhaps even where they are presumably headed. Some people use MBA programs to reinforce and expand their opportunities in businesses in which they already have experience, whereas others want to make job transitions.

The factors that admissions officers ferret out for administrative purposes also have resonance for the consumers of MBA programs and discerning, thinking MBA applicants will discover that too. Ultimately finding the best business school requires a bit of risk taking—the risk involved in submitting oneself to the admission process; the risk the MBA education is the best route for the individual (it has already proved its worth to business and society generally); and the risk that the investment of time, money, and psychic energy plus the loss of income will have been worth it. Tens of thousands of MBAs the world over believe it was, whereas relatively few MBA graduates are on record dissenting. Thus, our concern is for the getting the right program at the right school—and the best one for the individual who charts this course.

CHAPTER 14

THE NEW MBA—ENDURING IDEAS MEET INNOVATION

If people completing MBA programs in the next decade follow the pattern of their predecessors, they'll quickly lose interest in the internal affairs of business schools and any changes occurring there, whether radical or incremental. Most of us are so preoccupied with the present, with our current needs and daily lives, that memories of our professional education quickly fade into the background—except, perhaps, for class reunions and those predictable requests from the annual fund drive. But times are changing and old attitudes and patterns of behavior need to change too.

There are at least two reasons—and more, we believe—that MBA graduates now and in the short-term future ought to keep an attentive eye on their alma mater and its competitors. First, MBA programs are likely to change enough to produce a *different kind of graduate*, one who will quickly compete with and possibly outdistance fellow alums and those only a few years behind today's graduates.[1] Second, the B-school will accelerate its role as a resource for business and society, an *independent knowledge factory*, whose collective intelligence will be essential to business leaders and managers and which will be shared with students in both traditional degreed programs and a variety of new venues for lifelong learning. For these self-interested reasons alone, it will be useful—if not essential—for MBA graduates to maintain contact with the school from which they graduated as well as other business schools. Additionally, they may want to weigh in on the changes likely to occur in their own and other MBA programs, offering their perspective gained while MBA students and subsequently enriched by business experience. And if they are managing or leading a business, they'll want to know the best sources of talent—and what kinds of people are being prepared by particular schools. Added to that, business professionals might find it useful to establish and maintain relationships with MBA and doctoral faculty in B-schools, perhaps to consult with them, perhaps to invite them to do research or gain useful practical experience in business, maybe even in their own firms. And one hopes that MBA graduates will maintain contact because it both benefits them personally and offers a chance for them to "give back," to contribute to the advancement of business education for the common good.

The late great management expert Peter Drucker once wrote that

> Management is a practice, like medicine; and the model should have been the medical school, where the bulk of teaching, especially the most important teaching of the M.D. in his or her residency, is performed by practitioners. Unlike medicine, where you can bring sick patients into the classroom, business education does not allow you to bring an organization into the classroom. You can, however, bring experience in through your faculty and students. Business educators should be out as practitioners where the problems and results are.[2]

Drucker was correct that knowing, understanding, and empathizing with the realities of business are essential activities for B-school faculty directly and for their students doing internships and residencies, both of which could be more rigorous and systematic if there were greater intellectual cooperation between the academy and business in setting them up. At the same time, Drucker and others who worship at the model of business practice are wrong. Universities ought to do more than emulate the contemporary practices of business organizations, studying them respectfully, and transmitting their lessons from practice to MBA students; they must anticipate the future.

There are many reasons for this, the most important being that in times of rapid and comprehensive change, like today, present practice is already going out of date, and universities should provide a thought laboratory to consider prospects and strategies for the future. These will be informed by an understanding of current and past practice in individual business organizations, but the focus of analysis and discussion must be on the future. As Mackereth Ruckman of the European West LB bank observed in a conversation with one of the authors, "Few in industry have the capacity to take in the view from 30,000 feet—one that provides a long term perspective about what's happening and why."[3] Ruckman, a former treasurer of TimeWarner, says, "Some of the wrenching changes that occurred after the collapse of the dot-coms could have been anticipated with the help of sound research and forecasting."[4] Business schools in concert with business can contribute to a more thoughtful environment for business decisions, he believes. There are abundant examples of the disconnect between the daily decisions and a longer view.[5]

AVOID CHASING THE PAST

Take the communications industry, for example. For years, industry segments such as publishing and broadcasting ignored the technological and regulatory changes around them, regarding these evident forces as mere threats to their comfortable way of doing business. When the Internet emerged as a practical platform capable of reaching almost everyone, newspapers and television stations, for example, saw it as only another channel for delivering their content. And as executives at the time remarked, “It won’t affect our core business, but it might be another revenue stream.” It was that, of course, and much, much more. Now those industries are scrambling to keep up with Web competitors who are demonstrating that they too can provide content, distribute it more widely, and even garner advertising dollars and user fees. The idea that Google and Yahoo! would compete with the old media industries or that Amazon.com would displace traditional booksellers was once unthinkable. People who studied convergence in universities anticipated all this decades before it happened; but the media industries, smug and arrogant, thought such intellectual ramblings to be nonsense and pretty much ignored them. Thirty years before the Internet spawned the dot-com revolution and the digital developments that followed it, students of cybernetics, convergence, and communication theory understood instinctively that change was on the way. And although they could not have anticipated the swift pace of regulatory reform that made it all possible, they did understand that technology was ready—and waiting for future consumers.

People who watched the slow and wrenching changes that came to the media and entertainment industries, against the resistance of their leaders, recall the plaintive voices of lobbyists for the newspaper industry appearing before Congress in the 1970s and 1980s warning about the dangers of letting telecommunications firms deliver content and engage in advertising. Worrying that enabling telcos to do this—or that cable companies competing head to head with broadcasters would undermine the old media—they believed that enabling legislation then proposed would bring an end to classified advertising and other revenue sources. Of course, it was the deregulation of telecommunications and other industries that enabled the digital age to evolve, which helped spur globalization and other changes now regarded as part of the business landscape. All the while scholars in B-schools and elsewhere in universities who engage in social and technological forecasting were offering intelligence that might have given the media industries a head start in dealing with the future.

VITAL CONNECTIONS FOR BUSINESS AND THE ACADEMY

Thus, along with industry visionaries (and there always are some), the university can and should be an impartial center for research and development, considering and testing out new ideas, not to mention drawing on the yield of knowledge from theoretical work that moves beyond the details of daily practice. At the same time, a deep involvement with and understanding of the workings of business from the boardroom to the digital sales force needs to inform the overall mission of the B-school, the development of the curriculum, and the content of specific courses that flow out of the best thought from the professoriate. The nexus between theory and practice is vitally important and ought to be the basis of the compact between the academy and industry, along with providing education for entry-level employees, accommodating recruiters, and the other more typical functions.

HARNESSING KNOWLEDGE IN B-SCHOOLS

As we've indicated earlier in this book, business school faculties and others in universities recognize and have carefully studied globalization, the flattening of the economy, the interdependence of nations, sweeping demographic shifts, riveting technological innovation, along with uncertain political and social upheaval. Much of this change has been led by global business sped on its path by the resurgence of capitalism, given the redrawing of the geopolitical map after the grand collapse of communism and its market-driven aftermath. Capitalism and the business economy are vibrant even as they deal with corruption, scandals, and various institutional readjustments.

And although business school leaders and their faculties generally know all this, they are better external observers and critics than reflective architects of their own role in what is happening. They have taken a constructive stand against unbridled social Darwinism, the so-called law of the jungle, in business wherein only the fittest and most competitive survive, recognizing the importance of human values' contributions to the larger society. Whether one embraces business ethics and professionalism out of fear or genuine commitment, business schools are laboratories in which these values are explained, explored, and debated.

To be sure, B-schools in the United States have responded to a global economy through research and curricular initiatives, not to mention the remarkable growth of new business schools in Europe and Asia and even Latin America and Africa, mostly following a modified American model, though that is likely to change as they adapt to the nuances of their own regions, countries, and cultures. As porous as the world is today with few barriers to travel or commerce, the nation-state lives and localism endures.

These developments plus various new business specialties usually linked to immediate industrial expectations and needs are bringing concrete changes to business schools, resulting in new courses and faculty members with new specialties and research interests. At the same time critics point out—and we agree—B-schools have not engaged in fundamental structural change in decades. They have accepted a tried and true professional school model on which they hang appendages, some driven by trendy calls for innovation, others by the emergence of new fields of knowledge. These developments are concurrent with a conundrum faced by business educators who know they must reconcile for their students a world of conglomerates and giant corporations, with smaller-scale business entities and a rush to entrepreneurialism especially driven by a new digital economy most visibly seen on the Internet. B-schools might heed the same warning leading strategist Kenichi Ohmae has given business: "Complacency is an evil and pernicious state: We must never become self-satisfied, but must always strive onward and upward. One of the ways we can do so successfully is to realize and build upon our current strengths."[6]

CONTINUITY AND CHANGE FOR B-SCHOOLS

In reconsidering and even reimagining their role, purpose, and structure, B-schools ponder their social purpose linked with an understanding, however speculative, of just how business fits into a turbulent society wherein all institutions are in play. They are asking: What is an MBA for? What should be taught? Who should teach it? How? What is the place of research and what kind of research should it be? What about outreach and integration with the business community? How do we parse our time and resources? What do we owe society? Unfortunately, when B-schools reconsider these issues, they rarely engage in a zero-sum game. Instead they make incremental modifications to existing and usually quite traditional programs for all kinds of practical reasons.

We know only a few instances of innovative new start-up schools (those at the University of California–San Diego and at Sweden's Jönköping University come to mind) as well as others in China. Most of the B-schools Americans will experience will be refurbished, remodeled, and renewed, but probably not start-ups in which barriers to change can be set aside. When *The Economist* queried business school deans about the outlook for MBAs in 2002, they hardly found the deans to be great innovators, but they predictably leaned toward the practical agreeing that "an MBA program is a means to an end, not an end in itself." They want students to get an education in the fundamentals of business, finance, and management and somehow to connect the traditional core disciplines with new trends and important developments that demand attention (see Table 14.1).

Just how to do this, no one is quite sure. Their charge is complex, of course. As Christian S. Nissen of the Copenhagen Business School, explained at a 2005 conference in Sweden, "leadership in knowledge organizations [which business schools surely are] means combining brain and heart in new surroundings," and, he adds, "making the right connections between globalization, technology, markets, political culture—and, of course, norms and values."

We've mentioned the challenges of business education in China where scores of new schools are being organized to provide a cadre of managers for a massive society that had decried capitalism and the market economy for nearly a half century. Developing schools that understand the nuances of Chinese society, the powerful role of the government, and the need to change incrementally have a tall order. One effort, the BiMBA program, mentioned in

TABLE 14.1. Planned Changes in MBA Schools

Describe the Most significant Changes That You Anticipate Making to Your Business School in the Next Three Years	Percent
Developing new programs and curricula	41
Building up the brand	26
Focusing on funding	24
Recruiting and retaining faculty	18
Investing in the community	13
Restructuring the school	13

Source: 2004 AACSB International Strategic Management Survey.

Chapter 12, is the product of a consortium of twenty-three Jesuit schools of business from the United States and one from Europe in partnership with the China Center for Economic Research under the leadership of New York's Fordham University. At first the program brought a basic U.S. management education model to Beijing, one grounded in the fundamentals of finance, management, marketing, communications, and other disciplines in a fashion appealing to the leadership of China's state-run and privatized companies in which an older cadre of MBA students hungered for new knowledge that would give them a command of the fundamentals of doing business locally and globally. Very quickly, courses in Chinese culture and legal systems were integrated into the program because the Chinese students weren't interested in how Americans do business, but how they themselves would do business in China. The program, which brought knowledge and visiting faculty from abroad, integrating them with Chinese professors and business experts, struck a chord and has received universally high reviews from its graduates and others in Chinese business. This resulted in a "No. 1 MBA Program in China" designation in *Fortune* magazine's Chinese edition in 2005. And as China expert James McGregor wrote in *One Billion Customers, Lessons from the Front Lines of Doing Business in China*, the BiMBA program and its dean John Yang "are key players in building China's future, helping create managers and management techniques for Chinese companies."[7] The program that has evolved is a fusion of knowledge and experience with more than a Chinese accent, but one that is fully integrated with and attentive to the educational needs of Chinese business, which is already playing a global role.

THE APPETITE FOR REFORM

It's our guess that we're still several years from what historians of science call paradigm change in MBA programs because even radical critics don't advocate that. And there are practical reasons for this. The B-schools need to maintain high- caliber faculties wherein each member has independent ideas and often a personal entrepreneurial spirit that needs room to stretch while still supporting the holistic interests of the school, although this does not always happen. They need to offer courses and guide an integrated curriculum while at the same time foster research of importance and maintain serious connections with the business community. They need to nurture their own expertise within the silo of a particular discipline while reaching out to integrate that knowledge with that of other silos anticipating business needs. And while this is happening there are seemingly endless recommendations (and a few demands) from disgruntled faculty members, critical alumni, potential donors, students, and others. As the faculty of the University of Wisconsin–Madison's business school outlined it on their web site:

> A series of pressures will cause significant change for many business schools over the next decade. These . . . include increasing faculty shortages, intense competition for students and services from businesses as well as other business schools; brand extension by leading schools; frequent need for extensive curriculum innovation, constant pressure from alumni, students and others concerning the media rankings; and an endless stream of increasing costs of technology.

With understatement the plaintive tone of the Wisconsin document continues: "And all of these are causing schools to redefine their role in a struggle to remain competitive given their limited financial base." Universities approach change with caution. They are, after all, primarily concerned with their present, which Dan LeClair, vice president and chief knowledge officer of AACSB International, says involves "an uncertain future for the MBA, shifting funding sources and a need to sustain scholarship." He adds that MBA programs must cope with market concerns that gracefully move from piles of applications to fully minted MBA graduates. Those market concerns are

- economics;
- demographics;
- geographic mobility;
- value and ambiguity; and
- competition.

We've taken up each of these in the preceding chapters ranging from the *economic factors* that drive MBA programs, both outside the university as well as their own cost-effectiveness within their host institution. They must constantly cope with *demographics*—the right mix of students with the right characteristics such as test scores, experience, and other capabilities; shifts in population that move like waves through the educational system; and changes in life cycles as populations around the world age (the life expectancy in the United States, for example, was 49 in 1900 and may someday approach 90).[8] As for *geographic mobility*, it takes many forms—from the MBA applicant who may not be fully anchored in the local community and whose future venues are uncertain to students who are adaptable wherever they might be. We've discussed the continuing debate over the *value of the MBA* degree, which at one level seems settled, though that may be an ephemeral condition. There is clearly *ambiguity* over the value of the degree—and which MBA at which school with what combination of course work and resulting knowledge and competencies. And there is always *competition*. MBA programs are not a guild, but as entrepreneurial as higher education gets with near cutthroat competition at some levels and always with a wary eye on the presumed best programs, top schools, centers of innovation, and so forth. Indeed current practice in accreditation nurtures such competitive perspective as the AACSB review invites schools to identify sets of "peer" and "aspirant" schools as benchmarks with which they can compare their own activities.

There is no doubt that B-schools generally and individual schools in particular see themselves "at risk," as the 2002 AACSB report declared. And as one commentator put it, risk involves "serious pervasive forces—such as faculty shortages, pressures to enhance curricular relevance, and intensive, worldwide competition." AACSB and other observers agree that the resolution of these issues will determine the way that business education is designed and delivered in the future. But it is not enough to muse about how the relevance, staffing, and funding of B-schools will work itself out. We believe that the vested interests in doing that are powerful and that we've demonstrated earlier in this book why we think that is so.

GETTING PAST BARRIERS TO CHANGE

There is great enthusiasm for change in business education, not only because owlish critics have complained about the relevance of the course work, the pertinence of the research, or how robust are its connections to business. The push for change wins almost universal support at least at a conceptual level among most of the stakeholders of business education because the world itself has changed so dramatically as the runaway pace of technology and the implications of globalization attest. Indeed, the continued vibrancy of the partnership between business and business schools depends critically on the ability of schools to be as agile and flexible as business.

If B-schools become rigid and set in their ways, business will turn elsewhere for its thought laboratory and training ground. Such a world requires newly reconceptualized business education—one on which there is considerable agreement. But these united voices that speak about change in general quickly part company when the manner and method of achieving that change are considered. Few recommend bulldozing America's existing schools of business and starting completely anew.

The conversation about what to do continues in the councils of the AACSB, which speaks mostly about standards and the validation of B-school quality within the present model and format. After all, accrediting bodies, by definition, exist to see that at least minimal standards are being achieved and that the resources to do this are available—or at least hoped for. Accreditation, as historian Jacques Barzun and others have observed, exists not for the benefit of the strongest institution, but for the protection of the weakest. It guarantees certain tribal norms, which some will exceed and others will stretch to reach. Gatherings of deans and of other graduate management forums are also rarely the settings for new ideas. Occasional innovation is showcased, but cautiously, given the inherent competitiveness that individual schools feel for each other. Indeed, in spite of their deep interest in intelligent change, most of the leaders of business education are beset with so many barriers effectively impeding changes that any sort of reform in MBA programs must regrettably be described as a movement whose time has yet come. Why?

RECONSIDERING THE TYRANNY OF RANKINGS

There are many reasons for resistance to change that we've already laid out, but none is as powerful as the tyranny of rankings which tends to reinforce the status quo as schools scramble for recognition using traditions and unimaginative benchmarks. If accreditation because of its inherent educational conservatism slows little instinct for reform, the rankings are a de facto war on reform and any kind of fundamental rethinking of the MBA program. Unintentionally, the rankings not only sow the seeds of conflict and competition, often on a false basis for many schools; they also push deans and their associates into such a posture that they are always fighting "last year's war," trying to push up their ranking by devoting resources to any "deficiencies" identified by the magazine surveys. Advertising and marketing budgets soar as individual schools push a forward-looking image; new physical plants, an increasing number with dubious expenditures for trading floors and other extras, trump support for research and faculty recruitment. Playing the ranking game, which everyone does and feels compelled to, is actually counterproductive, expensive, and an enemy of innovation. As three business faculty members observed, the result is that business schools:

> Locked in a dysfunctional competition for rankings that diverts resources – faculty and administrative time, money, and energy – from research and from undergraduate and Ph.D. programs into short-term strategies aimed at improving their competitive position. The unrelenting pressure to continuously alter MBA programs to attract media attention has become

> destructive, resulting in cosmetic changes that enhance MBA program marketability at the expense of other educational programs, student learning, and knowledge creation.[9]

Some very secure institutions can engage in thoughtful forecasting of their futures as well as structural and curricular reform, but few do, as they practice the "if it ain't broke, don't fix it" theory while chasing superficial recognition and the oxygen of publicity. Midrange and weaker schools (if one accepts the magazine grading system) must try to fix what's wrong to accelerate their rankings in the present system. So who stands for change in such an environment? The answer, sadly, is few. We don't mean to say there are not thoughtful critics who complain about the current state and probable future of the field, which there are, and even some programs cited earlier that are slowly attempting to change aspects of a particular school. But that's not systemic review, reflection, and assessment of what's wrong with B-school education and what needs to be done to fix it. To that end we suggest that there needs to be greater institutional consensus across the B-school landscape and more permanent efforts to guide change within each business school.

At the national and international level, the need for a process by which there is consensus about the capacity of the present MBA program to serve and offer constructive changes for business needs to be addressed. That has not been done in any satisfactory way by the best minds in business education. Most of what has been done to date addresses problems of the immediate future, not of cascading changes ten to twenty years out, which demographers and other forecasters say will require greatly different competencies for coping with the kind of paradigm change that will then be evident. Forecasters are beginning to address the shape of higher education in ten years at the baccalaureate level.[10] These discussions should inform serious conversations about graduate business education in the future and give some lead time to such discussions, if only a little. This could be done through business education consensus conferences and other exercises and studies that traverse the questions raised earlier: What should be taught? Who should teach it? How should it be done? and others. The knowledge consensus process, championed and effectively used by the National Institutes of Health, focuses on what we know, what we don't know, and what we need to know. The process helps frame research agendas and could be easily applied to institutional development, especially attuned to the needs of the knowledge organization as it charts its future course.

Individual B-schools, which occasionally engage in strategic planning, usually do so to meet university-wide administrative requirements and new accreditation guidelines, but rarely have permanent units devoted to this. Doing so in an imaginative way ought to involve the best and brightest members of a faculty, the most visionary thinkers as well as the most thoughtful alumni, not simply proceduralists and paper shufflers, the kinds of persons so often drawn to conventional strategic planning. Engaging the most eminent researchers, teachers, and management practitioners in institutional change will not be easy because such individuals typically avoid involvement in what they regard as quasi-administrative tasks, leaving the creation of the intellectual architecture of business education to others. Some of them do this because they believe fundamentally that little comes of planning exercises, but what we propose here is far more than that and something that will have an impact on their own future and that of the field of knowledge to which they've devoted their academic careers. These steps would go far to ensure a more thoughtful and systematic approach to the future of B-schools and MBA education.

CONSIDERING PATHWAYS FOR CHANGE

Those imagining the future of business schools raise important questions. The previously mentioned study by Stanford's Jeffrey Pfeffer and Christina Fong in 2003 asked whether B-schools have achieved less success than meets the eye and speculated about MBA education and career outcomes while suggesting that there is "so little effect" of the MBA on graduates. They raised questions about the impact of business school research and asked whether there should be a different perspective and approach to B-school education. As a result, they urged B-schools to (1) concentrate on more experienced students, (2) design a multidisciplinary program, (3) not only focus on concepts and techniques but also change how people think, and (4) integrate a clinical or action component. Another study by Joyce Doria and colleagues proposed MBA reform that suggests and plugs for

- more courses in people skills;
- emphasis on problem-solving skills and tools;
- grounding in economics, measurement, governance, psychology, and leadership;
- experiential learning;
- outside electives; and
- differentiated curricula.[11]

As for getting to "yes" in achieving B-school reform, a study by Indiana University's Paul Friga and two coauthors, Richard Bettis and Robert Sullivan, in 2003 reminds us that B-schools must first consider their primary markets, the products they are providing, the partnerships they engage in, and ultimately whether the existing structure fosters an ability to change. Patrick Dixon, chairman of Global Change, Inc., on the cusp of the twenty-first century in 1999 worried that B-schools were not ready for new technology, as he imagined the future of business schools embracing distance learning, online learning, virtual classrooms, and video linking and teleconferencing, whether in executive programs on weekends or in the classroom at more traditional schools.

His concern was warranted even though MBA programs are catching up with technology and integrating it in many of the ways suggested. He was right in predicting that students in the classroom are well ahead of their professors, many of whom still have difficulty integrating the best of new technology with the curriculum.

IMAGINING SCHOOLS OF THE FUTURE

As MBA graduates project themselves twenty-five years forward, what kinds of MBA programs might they encounter when they return to the campus, conference center, or cyberspace for their reunions? One would hope they'd find MBA programs in which enduring ideas drawn from business history and practice and informed by rigorous research meet innovation and change. It is reasonable to assume that if MBA programs—once residential only and grounded on campuses in a full-time format—opened the way for part-time, weekend EMBA, and distance learning venues, there will be other variants aimed at serving future MBA needs. The new platforms will accommodate a more diverse population with considerable ethnic and racial variation quite different from the present configuration of students. The world will be older as more than 20 percent of Americans will then be over 65. Younger students are no longer sequencing their schooling in tight time frames but now sample education and career choices and experience, alternating periods of full- and part-time schooling and work over longer prolonged periods of time.[12] It has been suggested that the "mommy" track that brought women who left the workplace to raise children back to the campus and jobs in the 1990s will be joined by the "daughter or son" track in the 2020s when people who have dropped out of careers to care for aging parents will also come back to school. These singular demographic facts only hint at the changes coming in student clientele, all of which will require adjustment and reinvention of some aspects of the MBA program.

One would hope that an MBA program visitor in 2025 will also find schools with idea laboratories in which new knowledge and concepts are tested out in experiments and projects by students before they are introduced to the commercial and business world. One might imagine holographs (or actual rooms) with offices, homes, and consumer retail venues of the future. There might even be a giant electronic board that tracks students and faculty, showing any visitor where students are engaged in internships, where the alumni work, what research projects the faculty are working on, and what courses are being offered. And surely that giant display will be interactive and maybe even predictive as various problems are tested out against the best of systematic knowledge and the best of professional experience.

We can imagine B-schools that lead, instead of follow, that have bold partnerships not only with predictable business units but also with other social institutions and entities. There might be more "cross-ogling" where different fields consider each other, and where MBA students leave the fortress of the traditional B-school to take courses outside of business.

We would hope that the B-schools of the future will be the academic manifestation of what the Dutch educator Arie de Geus calls the "living company"; that is, simultaneously secure in its values and dynamic in its behavior wherein the manager places "commitment to people before assets, respect for innovation before devotion to policy, the messiness of learning before orderly procedures, and the perpetuation of the community before all other concerns."[13] Such a business school will be well equipped to anticipate the accelerating changes of a vigorous business world and to prepare its future leaders.

Whatever one finds in the future B-school in terms of philosophy, organization, physical comforts, course work, and faculty members, it is our hope that, above all else, these new entities will be welcoming to those who completed their work earlier, not just at reunion time but also continuously so that learning really occurs interactively across the life course as students become practitioners, professionals, and institutional leaders who regularly share their knowledge, experience, and judgment with the community of business education. And the mantra should be, "*Come back again—and often.*"

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RESOURCE GUIDE TO MBA PROGRAMS

Scores of sources can be consulted to pave the way for applications to MBA programs or just to become better acquainted with some of the issues involved in finding the best business school. Some of the best sources—although often self-serving—are noted here.

WEB SITES FOR MBA PROGRAMS

Virtually every MBA program has its own web site offering specific information about that school and usually touting the attributes of the school, whether the rankings, location, famous alumni, or other factors. These give a sense of the school and usually do a good job capturing its institutional personality and strengths. Beware of literal acceptance, though, as none of these sites are anything other than a public relations effort on behalf of the particular school.

BUSINESS MEDIA RANKINGS AND WEB SITES

Each of the following publications that offer rankings of business schools has a rather complete web site with amazing amounts of information, not just for the top-twenty or -thirty schools, but often for others too. Some of the information here is provided by the schools listed, but is also integrated with outside assessments, ranging from educators to recruiters and recent alumni. Enter these sites (and published book sources) with a degree of skepticism, understanding the point of view presented and the particular perspective of the individual publication. The best of these follow.

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WEB SITES FOR ACCREDITATION ORGANIZATIONS

These sites provide information on the organizations, their missions, and activities, as well as a vast selection of articles and working papers on emerging issues in business education. The best are

http://www.aacsb.edu/

http://www.efmd.org/

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