

A new generation of business leaders

Has there been a change in the outlook of business students and business courses since the recession first took hold?

Nunzio Quacquarelli investigates.

In 1897, upon seeing his obituary published in the *New York Journal*, famous American author Mark Twain wrote to the publication these famed words: “The report of my death was an exaggeration.” He went on to live another 13 years, to the ripe old age of 74. In similar style, recent reports of the death of the MBA, such as Lucy Kellaway’s column in *The Economist* in November 2009, are rather an embellishment of the truth.

As statistics from the 2009 QS TopMBA.com Applicants Survey reveal, and as registrations for the 2010 Spring QS World MBA Tour (which comes to Dubai on April 21) show, there is no shortage of candidates interested in pursuing an MBA degree at one of the world’s top business schools. It seems that despite the impact of the recession on many economies, there is still both a demand – and a broader need – for the MBA.

Call for a new MBA?

The real question, however, is what kind of MBA program are candidates and employers calling for in light of the current global economic situation. Professor Ismail Erturk, senior fellow in banking at Manchester Business School, believes business schools have to go back to the drawing board themselves, revising their notions of the type of course they are providing and the MBA graduates they are producing, to avoid a bankruptcy of intellectual capital. His comments come in the wake of some commentators describing the financial crisis as the “bankruptcy of the intellectual capital of Wall Street”.

Wall Street, of course, is associated with financial innovation, financially-engineered

managerial incentives, assumptions regarding rationality in economic life, efficient markets, the shareholder value principle, quantitative risk management models, corporate governance metrics and so on. As these topics are also the traditional territory of MBA courses, the MBA has a critical role to play in producing a new generation of Wall Street bankers who are better intellectually equipped to adapt these models and concepts to a more precarious economic reality. Therefore, the business school community – faculty and alumni alike – should turn this crisis into an opportunity to rethink some of the core assumptions in MBA curricula.

Nobody suggests that the recent economic downturn has had zero impact on business schools. The opposite is true. Deans and academics in top MBA programs worldwide, with a few exceptions, have been leading the clarion call for change. They want to be among the first to rectify the situation, most effectively and with a greater level of accountability.

Dean Paul Danos of Tuck Business School, an active proponent of reform, is maybe the first to put a number to the problem. He estimates that less than one per cent of all MBAs in practice now in the great companies of the world are responsible for the crisis. He argues that the blame is shared by a relatively small group of people, including MBAs at some financial institutions, politicians and various government regulators, and that reforms are absolutely necessary.

Social value

In fact, what *The Economist* rightly called “a fundamental reappraisal”

of business school is what program designers, deans and academics have been engaged with since before the crisis began. This is because the contemporary batch of MBAs increasingly demands it and is more concerned than ever before with redressing the balance. Becoming good corporate citizens and placing sustainability and social responsibility at the forefront of business practice is key.

Experts say this process of improvement has been going on for several years, even pre-dating the financial crisis of recent years. Business schools are constantly striving to find ways to improve their courses, especially in areas such as corporate governance, accountability and social responsibility, as their customers, the MBA students, demand it, according to them.

Since this crisis highlighted a disconnectedness of a highly interconnected finance industry from its customers and the society at large, business schools need to introduce elements to their programs where the social value of business is as visible as shareholder value principle. This should be done in a much more intellectually robust manner than is currently observed on course curricula at many business schools. New business school initiatives like courses on social innovation can be further developed to play a more central role in MBA teaching.

In addition to introducing the concept of social value into the curriculum in various innovative ways to counter-balance the shareholder value principle, business schools need to strike an academic balance between utilitarian objectives and critical, outside-the box thinking. Business





school teaching needs to examine the limits of what the market economy can deliver to all stakeholders and reflect this in research and engagement with business.

Managerial relevance

It is not incorrect to say that most business school teaching instills certitude and is prescriptive in most subjects from strategy to finance. In many ways, this mode of teaching is suited to the vocational aspects of MBA education and serves the interests of all MBA constituencies well. Of course, the managerial relevance of MBA teaching is important and the MBA is not a research degree that leads to an academic career. Nevertheless, there is a tendency to cloud business school teaching with scientific discourse, mostly borrowed from physical sciences.

However, most business school subjects share an affinity with humanities subjects rather than science, where knowledge is usually treated as historical and contingent. Therefore, the so-called Faustian pact of business schools with self-interest can and should be broken by introducing to the curriculum subjects like history of science and history of business. Also, the emphasis on markets needs to be balanced with considerations about the broader social context of business.

Zoltán Antal-Mokos, associate dean of degree programs at ESMT in Berlin, talks of the recession creating “much

soul-searching inside business schools and a more pervasive pressure from all stakeholders to develop programs reflecting responsible leadership”. It has become a business prerogative now, he continues, as it is clear that “those schools whose programs best reflect both concern for society and provide concrete corporate connections will outlast the ‘me-too’ MBAs”.

Social responsibility, ecological concerns and social innovation are already on many business school curricula, but more investment in these areas is needed. Methods of thinking are equally important. Business schools should introduce critical thinking into the curriculum for students to be aware that what they learn may not be applicable to all situations at all times. Students should be encouraged to apply critical thinking on all courses and must be made aware of the normative nature of most courses in the field of the social sciences, to which the MBA belongs. Students should be intellectually equipped to deal with complications rather than trained to simplify complex business issues.

It is the ‘me-too’ MBAs that one presumes Lucy Kellaway of *The Economist* was referring to when she wrote: “In 2010, the decline of the MBA will cut off the supply of bullshit at the source.” In fact, the process of cutting this kind of bullshit began some time ago. We won’t get rid of it completely, regardless of what business schools do, but the will is there.

There are practical applications for this in terms of selecting MBAs for top schools. After all, unlike some cattle-truck universities, business schools are highly selective about whom they bring in. Some schools, such as Tuck, keep to a size limit of about 35 students per class, despite, one might think, an opportunity to cash in with double the class size. Diversity is essential to business schools, and Generation Y offers a new category of diversity for schools to explore.

Dr. Eric Melse, director of degree programs at Nyenrode Business University, says of this selectivity: “We look for students who are interested in becoming light leaders and courageous followers. We believe strongly that business, as well as society, could benefit greatly when MBA students are more inclined to listen first before they voice their opinion.”

Lucy Kellaway is right that times are tough. Salaries in some sectors, banking particularly, are down, and jobs in high-flying city corporations are harder to find than before. However, applications to business school, fuelled by the recession, still soar. The year 2009 was a record year for applications to many business schools and 2010 is expected to at least match it. More MBAs than ever before are bringing their skills to bear in vast projects in India and China. More are looking outside the traditional high-earning sectors where money is the bottom line. More are taking roles with low-paid NGOs in developing countries through organisations such as MBAs Without Borders.

This crisis has shown that the vocational and professional priorities on MBA courses that form the basis of educational objectives need to be balanced with critical and reflective thinking habits. And that, we can only conclude, means that reports of the death of the MBA have been greatly exaggerated indeed.

The author is managing director at QS TopMBA.com, the organiser of the QS World MBA Tour.

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