



Rethinking the MBA

Business Education at a Crossroads

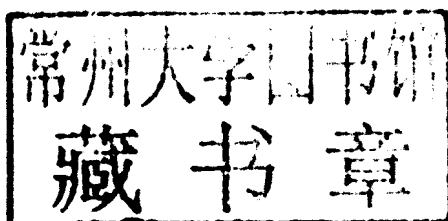
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To Swati, Lynn, Marion, and Shayda

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Our research team was absolutely outstanding. Michael Thomas was responsible for assembling the aggregate statistics and trend data of chapter 2, Patricia Hernandez was responsible for the curriculum analysis of chapter 3, and Carin Knoop and James Weber wrote all of the original case studies that appear, in modified form, as chapters 7 through 12. We met often with the members of this group, both individually and collectively, and were repeatedly impressed by their creativity, scholarly standards, and dedication to the project. They not only contributed much of the data and supporting analysis that underlie our arguments, but also helped us develop several key ideas.

During the process of writing, we had many helpers as well. Colleen Kaftan carefully and sensitively edited the original case studies so that they fit seamlessly into part II of the book. Jeff Kehoe, our editor at Harvard Business Press, provided wise counsel throughout the writing process, steering us toward stronger, more compelling arguments and story lines. The four anonymous reviewers of the draft manuscript provided us with thought-provoking suggestions, criticisms, and questions that significantly improved the final version.

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Introduction

A Degree in Transition

IN 2008, Harvard Business School (HBS) celebrated its 100th anniversary. It was an occasion for celebrating past achievements, but also an opportunity to reflect on the challenges facing all business schools in a rapidly changing environment. MBA programs, in particular, were the subject of growing scrutiny as they wrestled with questions of how to prepare students for increasingly complex organizations and careers. These new demands would require MBA programs to take a broader view of their graduates' responsibilities to multiple stakeholders, and to provide their students with a deeper understanding of such phenomena as globalization, leadership, and innovation, as well as the ability to think critically, decide wisely, communicate clearly, and implement effectively.

In this context of escalating demands on MBA programs, we began our research for a colloquium on the future of MBA education. Our efforts started modestly. Initially, our focus was internal, with the spotlight on our own institution and its strengths and weaknesses. As our dean, Jay Light, wryly put it, "It was our view that you need to think critically about what you are doing every 100 years or so, whether you need to or not."¹ Our research objective was to generate sufficient raw material for a two-day event that would allow our faculty to reflect on the school's history and consider its positioning for the future. But that

effort quickly expanded as we began to gather data on industry trends and spoke with deans and faculty at other schools. “Thank goodness you’re doing this,” they said. “All of us need to take a hard look at where business education is headed.”

With that prompting, we broadened our scope. We realized that the timing was auspicious, and that many in the larger business school community were ready for a deeper, collective reflection on our enterprise. The seminal reports on business education by the Carnegie Corporation and the Ford Foundation were at that time nearly fifty years old, having been published in 1959; Porter and McKibbin’s comprehensive follow-on study, published in 1988, was dated as well.² In the meantime, public criticism of graduate business education had sharply escalated, as had calls for reform. A number of schools had already responded vigorously, launching significant, highly publicized changes in their MBA programs. Major reviews were under way at countless other institutions.

We therefore began collecting data with a larger goal in mind: documenting both the forces reshaping business education and schools’ responses to them, in order to prompt a dialogue about the future of the MBA degree. The time and resources available to us forced us to focus our efforts on a subset of schools. For the most part, we studied leading MBA programs in the United States and Europe, supplemented by information on a small number of business schools in Asia and Latin America and a few non-business school institutions teaching management and leadership. We focused on leading schools because changes at top-ranked institutions are frequently indicative of broader trends. In fact, when we shared our findings with administrators and faculty from a wide range of MBA programs across the globe, they strongly affirmed our observations and recommendations. Some had already begun implementing the changes we describe. Nevertheless, an important caveat to this study is that our conclusions about rethinking the MBA are based in large part on data from, and events and changes at, the subset of institutions that we examined.

In the process of completing our project, we received an unprecedented level of cooperation from deans, faculty, administrators, students, executives, oversight councils, and accrediting organizations—in short, from virtually every group involved in and concerned about the

future of MBA education. On March 6 and 7, 2008, we convened a collection of deans, faculty, and executives at Harvard Business School to discuss our preliminary findings. It was a sobering meeting, and one that prompted considerable debate about the long-term health of the enterprise. On May 16 and 17, 2008, we held a similar two-day meeting with our own faculty, who responded with equally lively debates.

It is in the spirit of those debates that we decided to write this book. Our goal is to prompt the same degree of reflection and discussion that we encountered at our two colloquia, while also pointing the way forward. Prospective readers, however, may well ask, “Why do we need *another* look at the future of business education?” There has, after all, been an outpouring of articles and books on the subject in recent years, and many of them have been deeply thoughtful. Most studies have questioned the relevance, value, and purpose of the MBA degree; a few have proposed dramatic changes. We have found these studies to be invaluable, and they inform our views and are referenced throughout our book. But we also found them lacking in important respects. Most have been either sweeping critiques or historical reviews, with limited data on current programs and limited sampling of the perspectives and needs of diverse constituencies. For the most part, they have been critiques from within—by academics, for academics—often at the level of philosophy and first principles.

Our approach is different. It is heavily empirical and relies on several unique sources of primary data. First, we conducted extensive interviews with business school deans and business executives. We interviewed thirty deans, primarily from highly ranked business schools in the United States and Europe. All interviews lasted at least an hour, and many were considerably longer. We also spoke informally with many other deans and associate deans from business schools across the globe. We interviewed an equal number of current or former business executives, largely senior members of their organizations with some responsibility for or familiarity with MBA recruiting. They were selected from four broad sectors to reflect a diversity of views: financial services, consulting, multinational corporations, and high technology. In all cases, we used detailed semistructured interviews, aimed broadly at identifying respondents’ perceptions of the value added by the MBA degree as well as current weaknesses, deficiencies, or unmet needs. We

also probed for their assessments of the reforms already under way at different schools. In addition, we benefited from informal discussions with several hundred executives, both individually and in groups.

Second, we collected detailed industry data in search of unnoticed or emerging trends in graduate business education.³ Here, we focused on changes over the last decade in applications, enrollments, tuition and fees, faculty hiring, and other critical variables, often broken out by school rankings. We received extraordinary assistance in this process from the Association to Advance Collegiate Schools of Business International (AACSB), the Graduate Management Admissions Council (GMAC), and the Graduate Business Administrators Group (GBAG), who aided us in assembling, compiling, and interpreting the critical data.

Third, we developed composite portraits of the curricula at eleven leading MBA programs. We selected these programs as representative of a broad cross section of MBA program content, architecture, and pedagogy. The data, which were assembled from school Web sites and publications and then validated through conversations and correspondence with school administrators, faculty, and deans, present a fine-grained picture of the offerings of each school. They help us answer a question that has arisen repeatedly over time: Just how similar or different are business school programs? Most analyses to date have focused on only a small subset of variables, such as the number and type of required courses; our data, by contrast, range from the macro to the micro, covering the overall architecture of programs and structure of curricula, the sequence and range of first- and second-year required and elective course offerings, pedagogical approaches, and the content and topics featured in individual courses.

Fourth, we identified a range of exemplary course offerings that were responsive to the opportunities and needs cited by deans and executives. These courses were all innovative in some respect. Several featured novel subject matter, others employed nontraditional pedagogies, and still others introduced radically new ways of looking at long-established subjects. In each case, we examined the course syllabi and then spoke directly with teaching faculty to understand precisely how the courses were designed and delivered. The resulting

portraits are highly granular and can be viewed as templates for others to follow.

Finally, we developed six case studies that capture, in sharp relief, the themes we uncovered in our interviews. Each case features a single institution—the University of Chicago Booth School of Business, INSEAD, the Center for Creative Leadership, Harvard Business School, Yale School of Management, and Stanford Graduate School of Business—and each shows, in a distinctive and well-developed form, how a leading MBA or executive program has responded to one or more of the distinctive forces affecting the industry as a whole. INSEAD, for example, shows an institution responding to the demand for students with a more global perspective, whereas Yale shows a program in full-fledged pursuit of integration and a multidisciplinary perspective. Each case also illustrates the accompanying process of change or development that the institution followed as it altered its curriculum and responded to new pressures and needs. In writing these cases, we had the full cooperation of deans, administrators, and faculty. In every case, we made site visits and conducted extensive interviews, including focus groups with students to ensure that their voices were heard and their experiences accurately represented.

Together, these data present an unusually detailed picture of the current state of MBA education. Although our focus is on top-ranked institutions, we believe that they are bellwethers for the industry and are representative of larger trends. The data show an industry facing important challenges and institutions wrestling with basic questions of purpose, positioning, and program design. They also show an industry that has already begun the slow, painful process of adopting new approaches in order to maintain its relevance in a rapidly changing business environment. However, they come with an important caveat. All of our initial data were collected before the global economic crisis. How, if at all, does the crisis change our findings and conclusions? To find out, in the spring of 2009 we reinterviewed several deans, updated our six case studies, spoke with numerous executives, alumni, faculty members, and students, and collected additional post-crisis data. Our goal was to understand what business leaders might learn from the crisis, how business might change in its wake, and how our conclusions

about the future of MBA education might have to be altered or modified to accord with the new reality.

On the one hand, the economic downturn has provided some schools with a temporary respite from the forces buffeting graduate business education. Because MBA programs are often viewed by young people, especially those with few other career options, as a safe harbor for weathering economic storms, business school applications have historically been countercyclical. This crisis is no exception. In its aftermath, applications at the higher-ranked schools rose, although typically in a far more muted fashion than during past recessions, as did the number of takers of the Graduate Management Admissions Test, a likely indicator of future increases in applicants.⁴ Midranked schools, meanwhile, have been busy promoting their superior job placements with regional employers and their specializations in energy, brand management, supply chain management, and human resources as ways of beefing up their applicant pools and class sizes.⁵ These advantages, we believe, albeit real and possibly significant in the short run, are likely to be temporary because most of the other forces unleashed by the economic crisis add to the already long list of concerns and unmet needs cited repeatedly by critics, the trends already under way, and the curricular changes that have been steadily gathering momentum.

Consider, for example, one of the long-standing selling points of leading business schools—the access they provide to lucrative, highly selective careers. As chapter 2 notes, students have long gone to business schools to gain entry to high-paying jobs in investment banking, private equity, and hedge funds. Even before the crisis, our interviewees reported, companies in these fields were starting to shift their hiring away from MBAs. As a result of the economic meltdown, access to these fields has dropped even more dramatically. Many jobs have simply disappeared. According to one estimate, in the eighteen-month period ending December 2008, 240,000 people were laid off on Wall Street.⁶ Compensation has fallen as well; in some cases, it is now capped by law. To respond to this shrinkage in the financial sector, business schools will have to alter their orientations and direction. They will have to attract a new set of recruiters, develop graduates with a different set of skills, and offer a different mix of courses. All are

likely to lead to adjustments in business school curricula much like those described in chapters 5 and 6 of this book.

Meanwhile, part-time and executive MBA programs, which fueled much of the growth in business school enrollments in recent years, are currently facing increasing pressure. For many students in these programs, the economic proposition looks less attractive as corporations reduce their support. Business schools are finding that this growth engine—which chapter 2 notes has sustained many programs, especially those in the middle tier, for much of the last decade—is beginning to sputter.⁷ To attract and retain students, business schools will need to consider changes in curricula that enhance the value of MBA training in ways that are responsive to the criticisms and concerns described in chapter 4.

Increasingly, we believe, business schools are at a crossroads and will have to take a hard look at their value propositions. This was true before the economic crisis, but is even truer in its aftermath. The world has changed, and with it the security that used to come almost automatically with an MBA degree. As a recent report observed, “On the nation’s B-school campuses, hope used to spring eternal. No more.”⁸ High-paying jobs are no longer guaranteed to graduates, and the opportunity costs of two years of training—especially for those who still hold jobs and are not looking to change fields—loom ever larger. To remain relevant, business schools will have to rethink many of their most cherished assumptions. They will have to reexamine their curricula and move in new directions.

The core of our conclusion is that business schools need to do two things if they are to develop effective leaders and entrepreneurs, as opposed to individuals trained primarily in analysis: reassess the facts, frameworks, and theories that they teach (the “knowing” component), while at the same time rebalancing their curricula so that more attention is paid to developing the skills, capabilities, and techniques that lie at the heart of the practice of management (the “doing” component) and the values, attitudes, and beliefs that form managers’ worldviews and professional identities (the “being” component). We believe that shifts in MBA enrollments, changes in recruiting patterns, and a rising chorus of concerns from deans, faculty, executives, students, and the public at large make this rebalancing necessary.

In the years since the Ford Foundation and Carnegie Corporation reports, business schools have introduced greater rigor and disciplinary thinking into their programs. Although this has been a welcome improvement, it came at a cost. Business schools often failed to emphasize the limitations of the theories they taught, the extent of the challenges and complexities of applying these theories in practice, the associated skills and attitudes required for thoughtful, effective application, and the critical lenses and judgment needed to evaluate specific contexts accurately and draw correct conclusions. Rebalancing MBA education toward doing and being aims to reduce the impediments to informed action that result from these deficiencies in skills, attitudes, and beliefs.

Innovative thinking provides an example. “Knowing” about brainstorming, experimentation, and other creativity techniques does not prepare MBA students to “do” innovative thinking in the workplace. The latter requires sustained practice with, and immersion in, innovation processes—how to obtain customer insights, how to stimulate out-of-the-box thinking, and how to test and craft creative solutions. Similarly, “being” skills are important to managers as they work with and through others to achieve their organizations’ goals. To inspire and influence others over sustained periods requires careful reflection and introspection about one’s strengths and weaknesses, values and attitudes, and the impact of one’s actions on others. Without “doing” skills, knowledge is of little value. Without “being” skills, it is often hard to act ethically or professionally.

Looking across MBA programs, we identify eight unmet needs, many of them related to doing and being. Each presents an opportunity for MBA programs to innovate and change. These needs are as follows:

- *Gaining a global perspective:* Identifying, analyzing, and practicing how best to manage when faced with economic, institutional, and cultural differences across countries
- *Developing leadership skills:* Understanding the responsibilities of leadership; developing alternative approaches to inspiring, influencing, and guiding others; learning such skills as conducting a performance review and giving critical feedback; and recognizing the impact of one’s actions and behaviors on others