

The Worst of Times for New MBAs

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The latest Fuqua Report on jobs for B-school grads has the grim statistics that the Class of 2003 already knows too well from experience

When the MBA Class of 2003 was painstakingly pondering essays and gathering recommendations for their B-school applications at the end of 2000, the economy was booming, jobs were plentiful, and an MBA degree was akin to a golden ticket. By the time acceptance letters arrived, however, the economy was starting to go into freefall -- with tech nosediving in spring 2001, the stock market spiraling downward, and scads of MBAs getting laid off. Those who still opted to enter B-school, rather than sticking it out in jobs that might have been secure, consoled themselves that surely the economy would turn around before they graduated. Wrong.

"I thought I got my get-out-of-jail-free card with my acceptance letter," says Andy Robbins, who'll graduate from Northwestern University's Kellogg School of Management in June. "We thought we were the smartest people because we were going to sit out this little one-year recession. Up until this fall that was the perception of my class." Those illusions have gone the way of six-figure starting salaries and multiple job offers, lost in the stark reality of a still-sputtering economy and a paltry MBA job market.

FEWER OFFERS. A new study of the prevailing attitudes, career plans, and values of graduating MBAs from top-tier schools, finds that this reality has clearly set in for the Class of 2003. The Duke University Fuqua Report, conducted every two or three years, discovered that as of mid-March, only 60% of this year's graduating MBAs reported having a full-time job, contrasted with 80% in the previous survey -- conducted in 2000, at the height of the boom. An additional 2% have had their offers retracted, and the lucky ones who do have jobs chose from an average of 1.8 offers, down from 2.9 and 2.7 in 2000 and 1998, respectively.

(The Fuqua Report includes Dartmouth, Duke, Indiana's Kelley School, Northwestern's Kellogg, the Anderson School at UCLA, the University of California at Berkeley's Haas School, the University of Michigan, the University of Chicago, the University of Texas' McCombs School, and the University of Virginia's Darden. All are among BusinessWeek's Top 30 MBA programs in its latest biennial ranking.)

Finding a dream job these days is more like a lesson in dealing with a near-nightmare job market, especially with major MBA employment sectors paring back hiring again in 2003, after slashing recruiting by 50% in 2002 and laying off thousands of workers, including MBAs. The biggest drop has hit consulting, where only 19% of students have found jobs, compared with 35% in 2000. Smaller, though noticeable, declines have been seen in investment banking --- from 14% to 10% (which includes a decrease of 5% in corporate finance, an unchanged sales and trading percentage drop of 2%, and an increase of 1% in investment research).

NO SURPRISE. The lone bright spot: marketing and management, where 41% of the soon-to-be graduates have found work, contrasted with 29% in 2000. The only other sector to see some pickup -- non-investment-banking finance, including positions in financial analysis, commercial banking, and portfolio management saw an increase, from 17% in 2000 to 20% in 2003.

As harsh as the survey's findings are, they come as no surprise to B-school grads of the past two years. According to BusinessWeek's 2002 Best B-Schools Special Report, one-third of the nation's Top 30 programs reported that only 60% of their graduates had jobs by graduation. Hiring in consulting and investment banking alone, MBAs' two sexiest career choices, had dropped by 50%. Students have watched in dismay as recruiters have passed over career-services offices, opting instead to interview from their pool of prior interns.

The lack of jobs has forced many students to rethink the goals they had at the start of B-school. Beth Fulton, who'll graduate from Duke in May and enter the management-training program at Deere & Co. (DE), didn't start out looking for a job at a farm-equipment maker. She was set on a consulting career when she first arrived at Duke's rolling Durham (N.C.) campus, intrigued by that industry's traditionally extensive MBA hiring and healthy signing bonuses. She quickly dropped that notion when the roster for consulting interviews turned out to be paltry, at best. "It just seemed dangerous to me to be chasing something like that," Fulton says.

A COMPROMISE? The trick now for MBAs is to accept a job in a field related to what they want to do, corporate finance, for example, in lieu of investment banking, or a marketing position in a smaller division of a big company that could lead to consulting jobs down the road. "We heard a lot of 'I still want to do that [pursue another kind of work], and I'm young enough still to do it one day, so I'll do something else now,'" says Emma Rasiel co-author of the survey with Fuqua Associate Dean Daniel Nagy.

However, Nagy is quick to point out that students don't feel they're compromising but rather are affirming their commitment to work/life balance. In the Fuqua survey, respondents ranked a marriage or having a successful relationship as their most important goal, followed closely by health and ethics. Career came fourth.

These results dovetailed closely with Fuqua's two most recent iterations of the survey, in 2000 and 1998. Wealth, defined as "making a lot of money," tied for seventh place in 2003. While these goals weren't greatly changed conceptually from the previous poll, Nagy says students are actually acting on them now. In a tough economy, they've had no choice but to recognize that their first position, and every other position after that, too, is a chance for learning something new.

"THE REAL WORLD." However, that's not exactly the attitude most had when they started B-school. "These are people who've never seen failure in their lives," Nagy says. "We've seen attitudes change from entitlement, from 'I deserve this,' to 'I'm going to have to hustle like everyone else.' It's good for them. That's the real world."

It remains to be seen whether embracing work/life balance is a cop out, or an insight gained from reduced expectations and watching last year's MBAs go jobless and members of the Class of 2001 get laid off just months into their six-figure jobs, or a genuine change of heart. "Maybe their goals didn't change, but their options did," speculates Duke MBA Tim Johnson. "They've shifted expectations to the reality of what they can find."

Few students enter B-school with work/life balance as a key goal. More typical: MBAs are willing to put in yeoman's hours for years in return for a lucrative salary and, perhaps one day in the far-off future, the kind of life that wealth is alleged to provide.

LESS PAY FOR WOMEN. For many, B-school's appeal is the "show-me-the-money" factor, especially for MBA students who rack up tens of thousands in school-related debt after leaving high-paying jobs. The economy, Nagy believes, changes how students look at these things. "I don't think it's an excuse, exactly. But if there were huge signing bonuses, and we were back to three years ago, you'd see people revert to not minding long hours," says Kellogg MBA Jeff Johnson.

The report also pointed to a continued disparity in pay for men and women. Base salary for men was about \$3,900 higher than for women. Add in perks, like signing bonus and tuition reimbursement, and women fared even worse, with total first-year compensation packages of \$104,627, vs. packages of \$113,475 for males. That said, women MBAs also earned less before leaving the workforce to go to B-school: Men had yearly compensation of \$72,847, about \$5,000 more than the women.

Those graduates lucky enough to land a job this year did get a payoff: Starting base salaries (men and women combined) of \$87,808 vs. 2000's \$86,540. That's a smaller before-and-after boost compared to the Class of 2000's pre-MBA pay of \$57,758, since this year's crop was previously making \$70,896. However, that should be enough to help cover those \$1,000-a-month grad-school loan payments. And MBAs still looking for that first job undoubtedly would be glad to have it.

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