



New graduation skills

BOSTON, LONDON, NEWHAVEN, NEWYORK AND PALO ALTO

As business schools start to teach more ethics and practical skills, enrolments are climbing again

TOYOTA would have been proud of our just-in-time implementation," claims Joel Podolny, dean of the Yale School of Management—surely the first time the head of an academic institution has, without a hint of irony, used a factory-floor metaphor for speed and efficiency to describe his ivory tower. In March 2006 the faculty voted to change its MBA curriculum fundamentally. By September they were teaching it.

Instead of the well-worn method of teaching functional subjects, such as marketing, strategy, accounting and so forth, students who are now completing their first year at Yale are taught with eight courses that each address different themes, such as the customer, the employee, the investor, competitors, business and society, and innovation.

Yale has gone further than any Ivy League business school in shaking up its curriculum, but it is not alone in making changes. Stanford's Graduate School of Business, which many reckon is second

only to Harvard Business School (HBS) among the elite of the global schools, will introduce sweeping changes in September. Indeed, most of the leading American business schools, including HBS, have upgraded their courses by some level since 2002. That was the year when the business of business education looked to be heading for trouble.

Five years ago, business schools, particularly in America, came under attack from all sides. Fairly or not, they took some of the blame for the corporate scandals that erupted at firms such as Enron and WorldCom. Jeffrey Skilling, the former boss of Enron, was a star of the HBS class of 1979. Other corporate villains and their lackeys have boasted MBAs. Many agreed with one commentator that the only way to solve the ethical problems of corporate America was to fire everyone under 35 with an MBA.

Such criticisms unleashed a flood of concern, much of which had been building up for years. The value of the schools'

main product, the MBA, was in doubt. It became fashionable to argue that the most useful thing a business school, particularly a top one, does for its students was to confer on them its stamp of approval by letting them in. Anything they might learn while they are there was a bonus.

An MBA had been supposed to reward its holder with an increase in lifetime career earnings. But some studies suggested the costs of getting one were justified at only a handful of the top schools. Henry Mintzberg, a Canadian management scholar, has long claimed that the MBA was too narrowly academic and did not teach much that was of any practical use.

And so it continued. In an article published in 2005 the late Sumantra Ghoshal, of London Business School, argued that what was taught was practical, but in the wrong way. By focusing almost to the exclusion of all other behavioural models on "agency theory"—which assumes that executives are the self-interested lackeys ("agents") of shareholders, driven by maximising their self-interest—business-school teachers had freed their students from "any sense of moral responsibility".

In an article in the *Harvard Business Review* in 2004, Warren Bennis and James O'Toole lamented "How Business Schools Lost Their Way". Jeffrey Pfeffer, a Stanford business school professor, and Christina Fong surveyed the literature and concluded their article, "The End of Business Schools? Less Success Than Meets the Eye", with the claim that if business schools did not act quickly enough they could face a "substantial and growing threat to their continued prosperity, if not to their very existence."

As if to prove it, business school customers seemed to vote with their feet and applications for MBA courses began to dip (see chart on next page). Graduating MBAs also experienced great difficulty in finding work—which, after all, was the main purpose of going to business school. Tuck Business School, for instance, was typical in reporting that only 90% of the class of 2003 had received a job offer within three months of graduating, a much smaller share than usual.

Back in business

Today the mood in business schools is a lot happier, and not just in America but also in other countries, which now boast more business schools and many more MBAs than ever before. Applications have recovered strongly and the salaries offered to business-school graduates are rising again, as is the share of graduates from the class of 2007 who have already secured their desired job. Tuck is now confident that it will improve on last year's best-ever placement record of 98% of students with a job offer within three months of graduation. ➤

Indeed, Paul Danos, dean of Tuck, reckons that the downturn "had nothing to do with management education" and everything to do with the economic cycle. "All of the statements about the basic model not working are wrong. The vast majority of students say that this is the best educational experience they ever have," he claims. And to reinforce the point he adds: "Our students are too demanding to accept being taught irrelevant things."

Well, maybe. But a recent survey by Egon Zehnder, a recruitment firm, found that only one in five of the international corporate executives it polled thought that an MBA prepares people for real-life management. When Yale's Mr Podolny became dean in July 2005 he found "a growing disconnect between how business is taught and how careers are developing".

Mr Podolny reports that students are now much more enthusiastic about what they are taught at Yale and that applications have soared this year, to 2,798 from 1,998 three years earlier. Some of the other schools dismiss this as a sign that Yale is putting behind it years of under-performance rather than evidence that business schools need an overhaul.

Yet a striking number of business schools have changed their courses in the past few years. Although HBS, which invented the MBA, is continuing its familiar case-study method of teaching, it has introduced a popular new course in "leadership and accountability". Post-Enron, most business schools have introduced or have beefed up their teaching of ethics, often under the banner of leadership. However, a lively debate now rages about whether this is best done separately or as a part of every subject

Nor is it clear that ethics are easily taught. A revelation that 34 MBA students at Duke University's Fuqua Business School cheated in a take-home test seemed to confirm a study released last September by Donald McCabe, a professor at Rutgers University. This found that some 56% of graduate business students in America admit to having bent the rules, a higher share of cheats than in any other group of students. Alarming high cheating rates were also reported by students of engineering (54%), education (48%) and, perhaps inevitably, the law (45%).

The other big change is an attempt to make business education more practical. Most of the critics of earlier MBAs condemned their increasingly abstract, academic content. This has its roots in studies into business education which were carried out in 1959 and financed by the charitable Carnegie Corporation and the Ford Foundation. These studies argued that business schools had in effect become trade schools, in which "most professors were good ole boys dispensing war stories, cracker-barrel wisdom, and the occasional

practical pointer."

In response to this criticism, business schools enthusiastically embraced academic rigour. This, the critics say, now seems to command a higher priority than teaching useful things to students. Business-school faculty members often seem to place greater weight on winning the approval of peers in their academic discipline than on gaining the approval of their business-school colleagues. Even getting papers into a general business publication, such as the *Harvard Business Review*, rather than an academic journal can damage the career of a promising professor.

Yale's reforms are the most extreme attempt to break the faculty out of its academic silos. To rewrite the curriculum, weekly meetings of multidisciplinary teams discussed what each subject could bring to a course. According to Mr Podolny, "most faculty in other places don't know what other members are teaching in their courses. No other faculty is so well informed about what is being taught across the curriculum."

Real problems

Many schools are trying to increase the practical side by giving a greater role to business, including inviting business people to speak to students. Whether they impart more than cracker-barrel wisdom is unclear. A growing number of business schools are teaching the long-neglected subject of entrepreneurship. Northeastern Business School has been working with the 20 or so firms that employ the bulk of its graduates to ensure that its courses give students the skills their future employers need. At Pepperdine, students have been attempting to solve real marketing problems brought to the school by companies including Coca-Cola, Disney and Raytheon. This has been so successful that it will now become a separate course and extend beyond marketing, says Linda Livingstone, Pepperdine's dean.

Insead, one of Europe's leading business schools, has long had closer ties than most to business. In December 2005 it

hired a businessman, Frank Brown, as its dean. Mr Brown had spent 26 years working with PricewaterhouseCoopers. "A lot of our faculty have outside business experience and sit on boards," says Mr Brown. "The decision to bring me in, as a total business person, suggests we are pretty well committed to meeting the needs of business." In November last year London Business School also brought in a consultant as its new dean: Robin Buchanan of Bain & Co.

By teaching ethics and becoming more practical, business schools may be going back to their roots. As Rakesh Khurana of HBS points out, many schools saw their founding mission to professionalise the management of business, much as medical and law schools had institutionalised their disciplines. According to Mr Khurana, whose book on the history of HBS is about to be published to mark its centenary next year, professions have at least four elements: an accepted body of knowledge; a system for certifying mastery of that knowledge before it can be practised; a commitment to the public good; and an enforceable code of ethics.

It is hard to imagine managers being required to present certificates before they can give orders, or even that it is desirable. After all, some of the best business people, including Bill Gates, dropped out of university or never went to business schools. Similarly, a binding code of ethics seems an unlikely prospect. However, more professionalism would surely be welcome.

Glenn Hubbard, the dean of Columbia Business School, thinks that business schools have for several decades been the heart of the university, much as theology schools were in centuries past. They are where academic theory and the practical world engage with each other. There is a lot of curriculum change and innovation, he says. However, "this is not an industry responding to crisis but a competitive response of a healthy industry trying to get its product better."

Whatever the reason for change, there is a genuine debate about how far change should go, how quickly it should happen and whether all schools should take part. One problem is the shortage of talent available to provide the blend of academic excellence and practical insight that everyone wants. Laura Tyson, the former dean of London Business School, says the greatest task for business education is "filling the pipeline of the faculty".

Some things, however, may forever remain beyond the reach of all reformers. In a critical book about business education published in 1999, Stuart Crainer and Des Dearlove described the "Wharton Walk", in which students visit ten bars in a single night. Their shocking conclusion? "This is what happens in business schools. Most students simply get drunk." •

