

Special report: Asia's top business schools

As B-schools in China, Hong Kong, South Korea, and other parts of Asia make their programs more global, more Asian students are staying home to get their MBAs.

Asia seeks its own brand of business schools

Moon Ihlwan

To compete with Western B-schools and capitalize on Asia's growing business importance, Korean universities are partnering with schools around the region.

Business major Lee Sun Kee is happy that he attended Korea University in Seoul. Lee, a senior, took four courses at the University of Pennsylvania's Wharton School last fall as an exchange student and feels that his university in Korea offers business programs just as good as those at Ivy League schools. "At Wharton, I met talented students and a couple of star professors whose lectures were impressive," says Lee. "But for other classes, I thought I could have learned better in Korea at one-tenth of Wharton's tuition."

Lee is one of a growing number of students appreciating a drastic makeover undertaken at business schools in Korea. Under a campaign to globalize curricula, faculty, and ways of thinking by students, top universities in the country have rebuilt their programs by modeling themselves largely on leading business schools in the U.S. "Globalization is our new mission," says Jang Hasung, dean of Korea University Business School. While Korean multinationals like Samsung Electronics and Hyundai Motor have been expanding worldwide for years, Jang says his school long had focused too much on national issues and Korean perspectives.

Now these Korean universities want to join other Asian B-schools in Hong Kong, Singapore, and China to compete directly with European and U.S. B-schools. That's because Asia has emerged as home for a growing number of multinational corporations that generate many highly paid jobs. "With the center of gravity in the global economy shifting to Asia, it's just natural for students from the U.S. and Europe to seek Asian experiences and networking opportunities through business schools in Asia," says Suh Kil Soo, associate dean at Yonsei University Graduate School of Business, which is developing a program emphasizing case studies of the chaebol, Korea's family-controlled conglomerates.

Intra-Asian efforts are also aiming to maximize such incentives. Last year, Korea University forged a three-nation alliance with the National University of Singapore and China's Fudan University in Shanghai to open a joint 18-month program, which requires students to study for six months at each of the three schools. The program, called "S cube" to represent the three cities of Seoul, Shanghai, and Singapore, "will let students leverage on different strengths of the three nations and benefit from extensive Asian networking," says Jang at Korea University. There are now 31 students enrolled, with the first class graduating next February.

Making Korean B-schools more global

Officials at Korean business schools believe they can now aim higher thanks to major reforms they have promoted at home. At the vanguard of a movement to make Korean business schools more global is Korea University. More than half of all lectures at its business school are now in English, even in undergraduate business school programs. To make its curriculum compatible with leading B-schools in the U.S. and Europe, Korea University received accreditation from the U.S.-based Association to Advance Collegiate Schools of Business in 2005 and the Brussels-based European Foundation for Management Development in 2007. The school has also pushed to team up with foreign partners. In recent years, Korea University has concluded exchange programs with some 100 business schools in the U.S., Europe, and Asia to

accept some 300 foreign students, or nearly a fifth of all B-school students, annually. Apart from 10 full-time foreign professors, more than 20 visiting foreign professors run courses throughout the year.

Korea University isn't the only school in the country seeking international recognition. A total of six universities in Korea, including Seoul National University, Yonsei University, and Korea Advanced Institute of Science & Technology, have been accredited by AACSB and they all run MBA courses in English. "We are latecomers but Korea is moving rapidly to emerge as a major business education center in Asia," says Song Jae Yong, associate dean of Seoul National University Business School.

In fact, globalizing business schools is a national campaign, with the government setting aside more than \$20 million to help finance such efforts by universities until 2012. To catch up with Asia's B-school leaders such as the Hong Kong University of Science & Technology and the National University of Singapore, the government in 2006 began providing some \$1 million annually for seven years to a handful of universities, including Korea University and Seoul National University. Under the program, universities taking the government subsidy must find corporate sponsors donating a similar amount in addition to their own budgets matching or exceeding the subsidy to be spent on developing business schools. Seoul National is using the government aid to hire 20 renowned professors from the world's top 20 business schools to run credit-earning two-week intensive programs between terms.

One strategy to attract students looking for international experience is offering dual degree programs together with overseas universities. In 2006, for example, Seoul National started a program with Duke University in the U.S. to give its MBA students a chance to get a second MBA degree from Duke if they complete a second year there after a one-year course in Seoul. Seoul National last year concluded similar arrangements with France's Essec and China's Peking University.

Japan: slowly warming up to MBAs

Hiroko Tashiro and Ian Rowley

Japan offers more business school programs than ever, but Japan Inc. remains skeptical of the value of an MBA.

In Japan, it has never been easier to find an MBA program. Twenty years ago, only a few universities offered business administration courses, so most aspiring students headed to the U.S. to study. Even as business school degrees gained in popularity around the world, the number of domestic programs edged up only slowly. However, in the last five years the number of Japanese universities with business schools has more than doubled, to 55.

Several reasons account for the increased popularity of business schools in Japan. Government deregulation, for instance, made it easier for schools to offer MBA programs. Japanese schools also have become more flexible, making their programs more accessible to local students. For instance, many schools now offer part-time study for students unable or unwilling to take time out from their current jobs. "If I had had to quit my job to study, I might've not thought about taking an MBA course," says Midori Ibuka, 40, a manager at YKK, the world's biggest zipper maker. Between 2005 and 2007, Ibuka took a course at Waseda University's business school in Tokyo, going to classes from 7 p.m. to 10 p.m., five nights a week. Formerly an executive's secretary, Ibuka, who spent \$30,000 in fees, has since been assigned to her current general manager position in YKK's communications division.

Seniority trumps education

Yet for all that, it's difficult to make the case that Japan Inc. embraces employees with MBAs. On the contrary, many big companies still prefer to hire grads fresh out of college and mold them into the type of managers they want, rather than hiring B-school grads. Meanwhile MBA holders sent to B-school by companies find it tough to put newfound skills into practice when they return to work.

Corporate Japan doesn't seem convinced of the merits of MBAs. Many companies still have a lifetime employment system with pay and promotions based on seniority. That means MBA holders can't expect rapid progression or improved compensation. Lion, a maker of household products, has sent two employees to Keio University's program every year since the late 1970s, including President Sadayoshi Fujishige, yet the company doesn't mark them out as special cases. "We don't give MBA holders any special treatment in terms of salary or promotion," says Fujishige.

Recent events may not help raise the profile of MBAs in Japan. With the current global recession blamed on the excesses of U.S.-style capitalism, Japan's MBA holders may be losing some of their luster as well. For one thing, many of the investment banks that hired MBAs are cutting back.

Meanwhile, the notion that MBAs can be bad for business, while not widespread, goes down well in Japan. Last fall, Takayuki Yasui, a columnist for the Asahi Shimbun daily, attributed some weakness of Detroit's auto industry to U.S. companies tendency to promote managers with MBAs, whereas more successful companies like Honda (HMC) for example, fill their management ranks with engineers. To illustrate the point, the paper said an unnamed U.S. Big Three executive had turned down a proposal from the president of a Japanese automaker to view a factory because he wouldn't understand it. "The American CEO has learned theory of management at business school, and he's more interested in making money than making cars," Yasui quoted the shocked Japanese auto chief as saying.

Signs of increased acceptance

Perhaps it's no surprise, then, that those returning to Japanese companies after receiving MBAs sometimes get frustrated and often quit companies for a new challenge.

But rather than encourage companies to use B-school grads more effectively, many companies have instead decided to stop paying for employee MBA programs. At Keio University, the first Japanese university to offer an MBA program in 1978, 65% of business degree students were sent by their companies in the late 1980s, compared with 35% today. "Many Japanese companies can't make really good use of MBA holders when they come back [to work]," says Yoshito Hori, president of Globis, a Tokyo management school. Hori left trading company Sumitomo a few years after returning from Harvard.

Still, it's not all doom and gloom, Hori, whose school tops a ranking of student satisfaction, adds that the answer may lie in tailoring courses that bridge the gap between Japanese and global business practices. Hori says the school's approach borrows heavily from Harvard in its use of detailed case studies, often drawing on examples from successful Japanese companies. Globis also places importance on programs that foster the spiritual side of business leadership. For instance, there are classes in which would-be executives study the Analects of Confucius. "Successful corporate managers all have a personal magnetism and a rich sense of humanity," he says. "This kind of education is weak at the U.S. schools."

Meanwhile, Japanese companies have internationalized their production and sales. So employees will have no choice but to find ways of communicating techniques developed in Japan. Business schools can act as a useful tool in taking principles learned in Japanese factories and offices and finding ways to package them for a global audience.

And while Japan might not reward MBA students to the same extent as the U.S., that could change in time. One hopeful sign: Japan's best-known manufacturer, Toyota (TM)—a company not renowned for MBAs in the boardroom—will appoint a B-school grad as its next president in June when family scion Akio Toyoda, who holds an MBA from Babson College near Boston, succeeds Katsuaki Watanabe. "Compared to the U.S., MBAs are not prevalent in Japan's business circles," says Kyoichi Ikeo, dean of Graduate School of Business Administration at Keio University, which was the first Japanese university to offer an MBA in 1978. "We have to constantly send out the message that an MBA education and the research done at school are meaningful for the development of companies."

INSEAD promotes euro-asian alternative

Frederik Balfour

For its offering of a diverse student body and broad-based education, the international B-school sees an increase in U.S. applicants.

The mess on Wall Street has prompted soul searching at U.S. business schools about whether they helped create the problems by churning out graduates armed with arcane financial algorithms and a single-minded focus on maximizing shareholder value in the short term. As second-guessing grows, officials and students at INSEAD, the business school with campuses in France and Singapore, figure they stand to benefit. The INSEAD admissions office has seen an unprecedented 30% increase in applications this year, and an even bigger rise from candidates in the U.S.

While applications to MBA programs are up across the board as students flee the depressed job market, INSEAD is well-placed to capitalize on doubts about its American rivals, argues Jake Cohen, dean of the school's MBA program. Admissions officers ensure that no single nationality can exceed 10% and the largest single group in this year's class is from the U.S., accounting for 9.7% of the 450 students, up from 7.5% last year. "INSEAD benefits from a diversity of students and faculty, and it does not have a U.S.-focused dogma," says Cohen, an American who became dean last September. "With a classroom with 76 nationalities, we can't prescribe to one model."

The diversity of INSEAD's student population lies at the heart of its appeal for students. "That makes [it] less of a cookie cutter," says Philana Lo, who grew up in Southern California and graduated in 2004. "INSEAD gives you more options and you end up thinking how can I leverage the world and the people I've met." She now works at Beijing-based Ethos Technologies, an IT consultancy she helped found with fellow INSEAD grad Olav Nedreliid from Norway. Bertram Lai, a 2000 alum who is now deputy head of research for CIMB bank in Hong Kong, believes the absence of a party line is what sets INSEAD apart. At schools in the U.S., "students tend to be very homogenous," he says.

Globe-hopping students

Another selling point is the fact that INSEAD's program lasts one year, so it's cheaper than regular two-year programs and allows students to get back on the job market one year sooner. (Tuition is about \$69,000 for a 10-month program.) Its dual-campus structure is a big

attraction too, and more than two-thirds of the students divide their time between INSEAD's campuses in Fontainebleau, about an hour outside Paris, and Singapore. "The nature of people at INSEAD is they love hopping around everywhere," says Ruben Sanchez Souza, who holds dual Mexican-Brazilian nationality and permanent residency in Canada, and declined his admission to Stanford B-school at attend INSEAD in 2004-2005.

To be sure, INSEAD students are a self-selected bunch with a strong international bent. The school requires applicants to have at least two languages (instruction is in English) and they must graduate with proficiency in a third. Although about one-half of the graduates tend to get hired by big consulting firms like McKinsey and Bain, a large number go on to start their own companies, often with the help of fellow alums.

INSEAD's many electives offering entrepreneurial skills were a big selling point for Ninie Wang, a Chinese national who graduated in 2003. "It struck me as being the most entrepreneurial and providing the most practical approaches to helping students start up their businesses," says Wang, who launched a Beijing-based company, Pinetree, that provides home care services for China's elderly. She credits INSEAD with teaching her to look at all the stakeholders and not just at building shareholder value.

Cohen wants to take that notion one step further by offering new courses on how to deal with the economic crisis, and by introducing dual degree programs with public policy schools. INSEAD is currently exploring possibilities with the Lee Kwan Yew School of Public Policy in Singapore and the London School of Economics. "Students have to understand that in the past the government was a regulator and referee, but now it's more of a player in the same box running the business," he says. "Students need to understand the public sector better, and the public sector needs to understand the private sector better."

India's MBAs face dismal job market

Alison Damast

Salaries are down by 25%, international offers have dried up, and at some top business schools nearly half the graduates can't find jobs.

Students at Indian business schools are having just as hard a time as their American counterparts landing jobs after graduation, and they are facing one of the most painful recruiting seasons in years, according to a new report.

The job placement figures this year at nearly a dozen of India's top management schools—including four Indian Institute of Management campuses (IIMs)—are more dire than expected, according to the highlights of the 2009 MBA Placement Report, released on Apr. 22 by MBA Universe, an India-based Web site about business schools.

It's a sharp reversal from last spring, when Indian B-school students had what was their best recruiting season ever. This year the average salary across top tier B-schools is down 25%, wiping out the record 20%-to-22% salary gains students made last year.

A. Kumar, the site's editor, said the global financial crisis is having a serious impact on the morale of Indian students.

"Students who saw MBA admissions as the ticket to good jobs have started questioning the return on investment, perhaps for the first time in several decades," Kumar said in an e-mail.

The news comes at a time when many students from India are opting to study at business schools in their home country, rather than to go abroad to a U.S. or European school, as many have done in the past. Admissions officers at top U.S. B-schools report applications from Indians are down this year, with many worried about obtaining student loans and H1-B visas, as well as the strict hiring restrictions on any companies receiving federal bailout funds under the Troubled Assets Relief Program. Meanwhile, the growing reputation of top-tier Indian business schools like the IIMs is making them a viable option for Indians who otherwise might have chosen to shell out \$100,000 or more for a brand-name U.S. degree.

Placement problems

But Indian students opting to stay at home will face significant challenges ahead, especially when it comes to landing a job. At many business schools, career placement officers anticipate the hiring season will continue long after graduation, extending into the summer and perhaps beyond.

Even top-tier schools like the Indian School of Business in Hyderabad have extended their job placement season indefinitely because only 57% of students have found jobs, according to an Apr. 2 report in the Business Standard, one of India's leading business newspapers. The school has not yet released its official placement numbers, according to the MBA Universe report. A spokeswoman from the Indian School of Business did not return several e-mails seeking comment about placement results.

Complicating matters, "the picture is dull" for students looking to land jobs outside of India, according to the report. The best international offer at any of the IIMs came from the Indian Institute of Management Calcutta, where the highest salary topped out at \$86,785. At the Indian Institute of Management Ahmedabad, the highest international offer was \$83,000, down from last year's peak of \$280,000 to \$360,000. Meanwhile, schools outside the top 20 are facing an even harder time placing students, Kumar said.

"The second- and third-tier schools will see a constant struggle until the economy revives," he said.

Abhishek Nagaraj, 22, a first-year student at IIM Calcutta who is interning at an investment bank in Mumbai, is spending his summer working as an intern at a financial firm. Among his classmates, there is "this perception that we are at the bottom right now," he said, referring to the economy.

"The numbers are definitely down, especially at the top three IIMs," Nagaraj said. "Last year, each of the banks would take more than 10 students, but this year it was the low single digits."

Alternative options

With fewer financial firms and consulting groups hiring, students are turning to other sectors for jobs, most notably government-owned corporations known as public-sector undertakings. Students are accepting positions in the oil and energy, insurance, and telecom sectors at companies such as Bank of Baroda (BKBAF.PK), Steel Authority of India Limited (LAUF), and Bharat Heavy Electricals (BHHEF.PK). Hiring in this area accounts for 15% of all offers this year, up from just 5% last year, the report says.

"Since this sector is growing, they can afford top MBAs at a price that suits their budgets," Kumar said.

At the International Management Institute in New Delhi, the country's first corporate-sponsored business school, career placement officers are trying to find jobs for all 155 students in time for the mid-May graduation ceremony. The recruiting season suffered because many multinational corporations did not participate in recruiting this year, said Amrish Sharma, the school's manager of corporation relations, in an e-mail. Those that did participate were "prudent" when it came to making offers, hiring on average 1.5 students, as opposed to the four they would have taken last year, Sharma said. Many chose to hire only summer interns and did not come to campus this fall for regular recruitment.

Only about two-thirds of the class has found jobs so far, but the career office is optimistic the school will be successful in helping students find employment, he said.

"We're going to keep trying until the last student is placed," he said.

Asia's top business schools

Frederik Balfour, Bruce Einhorn, Moon Ihlwan, Mehul Srivastava, and Hiroko Tashiro



Staying in Asia for an MBA

For years, Asians interested in entering the best business schools had little choice but to head to the West. Now, though, business schools throughout Asia are trying to become more competitive with the top schools in the U.S. and Europe. B-schools in China, Hong Kong, South Korea, and other parts of Asia have been making their curricula more global and recruiting more professors from abroad. At the same time, Asian business schools increasingly are partnering with one another or with schools from the West to offer more options to their students.

With the global economy in the doldrums, the competition to enter business schools is growing far more intense as students look to escape the dire job market and improve their chances of getting a well-paying position when the world recovers. So even though Asian schools are still no match yet for the Whartons and Kelloggs of the world, more and more Asian students are

now looking to them as alternative places to get their MBAs. For more on the best business schools in Asia, read on.

The odds favor business schools in China and India

Anil K. Gupta and Haiyan Wang

Asian B-schools must go a long way to match Western ones, but they are fast making giant strides.

Economic power is shifting rapidly from the West to the East—especially to China and India. China appears destined to become the world's largest economy by 2025. India, trailing China by about 12 years, will rank among the world's top three or four by then. By 2025, China and India will also likely account for well over 100 of the world's 500 largest companies, up from 36 today. Where will the corporate leaders of these new economies come from? Are the leading business schools in China and India up to the task, or will the grooming of tomorrow's global leaders be done primarily at institutions such as Harvard, Stanford, and INSEAD?

Global MBA rankings would suggest that the die is already cast. According to the Financial Times' 2009 rankings, China and India account for only one school each among the top 100 MBA programs in the world, as contrasted with 56 from the U.S. Even these two (the China Europe International Business School and the Indian School of Business) are the products of Western alliances. None of the top two purely Indian MBA programs (IIM Ahmedabad and IIM Bangalore) or the top two purely Chinese MBA programs (Tsinghua University's School of Economics & Management and Beijing University's Guanghua School of Management) make it into the FT Global 100 list. And Indian B-schools are reporting disappointing job-placement numbers for their graduates as the global recession dampens demand from would-be employers.

Asian strength

Notwithstanding the apparent dominance of Western—especially American—business schools, we argue that the odds favor the top business schools from within China and India. Here's why.

- First, student quality at the top Indian and Chinese business schools is superb and getting better. Sheer population numbers give these schools an advantage in the intellectual caliber of incoming students. Numbers dictate that it is harder to get into a top business school in India or China than into a similarly ranked school in the U.S. or Europe. Current Chinese MBA students, virtually all born after 1978, grew up in the reform era, have been learning English for years, and have been heavily exposed to the market economy. They are also much more willing to challenge the status quo, a requisite for becoming innovative.

Increasingly, Chinese students can also draw inspiration from domestic business heroes such as Jack Ma, founder of Alibaba Group. Faculty at U.S. business schools routinely acknowledge—but are hesitant to say so publicly—that the likelihood of MBA students transforming into stellar corporate leaders depends far more on their personal characteristics than on the caliber of the faculty, either as research scholars or in terms of pedagogical skills in the classroom.

- Second, domestic salaries received by graduates of the top MBA programs in both China and India are rising and becoming competitive with their counterparts in the West. At the top three MBA programs in both India and China, average starting salaries for domestic jobs range from \$30,000 to \$50,000. Adjusted for purchasing power parity, these salaries are on par with or

higher than those earned by the graduates of the top Western MBA programs. As income levels in China and India continue to rise faster than in the West, it is likely that the salaries earned by the graduates of the top MBA programs will also move up at a faster pace. Attractive salaries and abundant job prospects would suggest that the indigenous MBA programs will become even more attractive to the top domestic applicants in the coming years.

- Third, it is now virtually impossible for any school to maintain a competitive advantage based on the curriculum. Given the Internet, every school has real-time access to the curriculum being followed and course materials being used by every other school. Most of the top business schools in the world (including those in China and India) routinely monitor curricular innovations at other schools and revise their own curriculums every three to five years. Another factor driving toward parity in curriculum innovation is the growing number of Chinese and Indian PhD graduates who are returning to their homelands to take up faculty positions. Nearly half of the faculty at Tsinghua University's School of Economics & Management earned their PhDs from Western business schools.

- Fourth, context matters. Unlike in the U.S., state- and family-owned enterprises constitute the large majority of corporations in both China and India. In both economies, market realities too are radically different from those in the U.S. Average per capita income in China is about one-fifteenth and in India about one-fortieth of that in the U.S. Given vast rural populations, the market for almost every product or service in China and India is also far more diverse than that in the U.S.

Leading indigenous MBA programs are able to provide much greater exposure to these contextual realities than Harvard or Stanford ever could. One U.S.-trained partner at the Mumbai offices of one of the world's leading strategy consulting firms told us: "We have direct experience with MBAs from the top Indian schools as well as returnees with degrees from the top Western schools. American MBAs are better packaged. However, the Indian MBAs are much stronger analytically and have more in-depth understanding of the Indian business environment. On average, the latter tend to be more successful for us. The importance of context also shows up in that our Europe-educated MBAs tend to perform better in India than those from the U.S."

A paucity of diversity

Notwithstanding these advantages, even the top MBA programs in China and India suffer from two major weaknesses. One, their student body is much less diverse than at top MBA programs in the West. Harvard's annual intake of 900 students comes from over 70 countries. Stanford draws its annual pool of about 370 students from over 50 countries. Greater diversity fosters richer class discussions and a more global network of contacts. This is one area where the leading Western business schools will continue to sustain an enduring advantage.

Two, in terms of faculty research, even the best Chinese and Indian business schools pale in comparison with any of the top 25 Western business schools. Building the necessary research culture and assembling a critical mass of top scholars requires resources and even then can take years. Here too, top Western business schools are likely to sustain an enduring advantage. In terms of a business school's ability to train corporate leaders, however, the quality of faculty research may not be as critical as it may appear. Graduates of the Indian Institutes of Technology have been spectacularly successful at climbing the top rungs of Corporate America despite the fact that, until recently, the IITs have been primarily teaching rather than research institutions.

Looking ahead, it is clear that history is on the side of the top business schools from India and China. Their biggest challenge will be to turn superb teaching institutions into research powerhouses as well.

The rise of China and India also offers an opportunity to the leading Western business schools. They must commit to becoming insiders within China and India. Context matters, and the best way to develop a deeper understanding of China and India and to broaden the alumni network within these economies is to partner as well as compete with the dragons and tigers on their home turf. The fastest and most effective way to do so without running into capacity problems will be via nondegree executive education programs.

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