

Steering a new course

A year after the collapse of Lehman Brothers, a new intake of students begin their first week at business school. Will they be taught to do things differently?

As a new academic year begins, it is not just the students who have that first-day-at-school feeling. Business schools themselves have spent the past 12 months wondering whether they need to re-invent themselves in response to a global financial crisis to which many believe they lent a helping hand. For them, too, there is the trepidation of a new beginning.

Few business schools would disagree that the credit crunch has become their defining moment. The arguments—that failed firms such as Lehman Brothers were chock full of the alumni of prestigious schools, who were complacent and greedy, too focussed on the short term and unwilling to question financial instruments of which they had little understanding—are well rehearsed. But regardless of whether such criticisms are valid, it is certainly true that the crisis has fundamentally changed attitudes towards both business schools and the art of management itself.

As a result, schools have agonised over how to save their flagging reputations. MBA programme directors have spent their summer holidays pondering what constitutes a proportionate response: totally overhaul their curricula and they may appear hasty and ill-considered; change nothing and they would be seen to be in a state of denial.

Most have settled for modest adjustments. Columbia Business School in New York, for example, set up a faculty committee that delved into every aspect of the MBA programme. But it is introducing just two new modules—on the future of finance and the collapse of the auto industry. At Thunderbird School of Global Management in Arizona, too, there is to be no ripping up and starting afresh. Instead, students on the Global MBA course are to be brought together at the end of the programme for a final module on global citizenship.

The lazy pace of change is proving a frustration for some. Angel Cabrera, president of Thunderbird, worries that schools are missing an opportunity to transform themselves from followers to leaders. "As late as last year, business schools were still debating whether it was irresponsible to use the resources of a corporation to do anything that wasn't directly related to maximising shareholder value," he laments. "But the biggest corporations in the world all had social strategies in place—the business world had already resolved this, but we were still debating it."

However, the speed of transformation is being hampered by a fundamental tension within business schools. They may like the idea of being leaders, but academia, by its nature, takes a long time to implement changes. When professors want to introduce new modules, in response to fast-moving events, they have to go through a lengthy approval process: other faculty have to be won over, academic competency has to be proved, and it has to be demonstrated that the course design meets the quality threshold of the programme, the school and accrediting bodies.

And, in any case, Dr Cabrera's annoyance is not universally shared. Others argue that it should be seen as a flaw if a school's curriculum is seen to change too radically—even in such radically changing times. Terry Ilott, course director at City University's Cass Business School in London, rejects the idea that a school which can't rush through transformation lacks nimbleness. "It's not cumbersome, just rigorous," he explains. "I would be very suspicious of a school that could chop-and-change its curriculum at short notice. In any case, the idea that all business schools have been caught on the hop is a bit of a journalistic myth. A business school

that found itself responding to events without anticipating those events would be a pretty poor business school."

Back the basics

Furthermore, schools must be wary of change just for the sake of it. Thomas Cooley, dean of New York University's Stern School of Business, believes that the basic tools of business haven't changed just because of the crisis. But even if the fundamentals of marketing, economics or finance remain valid, teaching them in the context of corporate failures will become a leitmotif. "It is one of the great historical events," he explains. "It has changed the tone of everything."

Randall Kroszner, a former governor of the Federal Reserve and an economics lecturer at Chicago University's Booth school, agrees that his MBA students will notice a change of emphasis, if not a radical new curriculum. "If I just taught my money class as I did four years ago I wouldn't have the same emphasis on the housing market or the inter-connections between the banking and non-banking financial systems. I touched on it, but one would be foolhardy not to put a new emphasis on it."

Monetary policy is another example. Five years ago, the theoretical possibility of a zero lower bound on interest rates may have been mentioned in passing, but most students saw it as such a low-probability event for most developed countries that they didn't pay it much attention. Now it is a real issue that affects business decisions.

One area in which the crisis seems to be having a more fundamental effect on curricula is a renewed interest in economic history. Both Stern and Chicago expect brisk interest in new courses examining the lessons from America's Great Depression in the 1930s. At Cass, Professor Ilt's MBA students will study the formation of 18th and 19th century companies, such as Cadbury's or old Quaker firms, which, he says, "started with a view that the long-term sustainability of the enterprise depended on responsible behaviour in all aspects of the organisation."

And it is not just the academic curriculum that is changing. MBA programmes have for many years been a strange hybrid of academic degree and vocational course. Equally as important as teaching theory is imparting the "soft skills" needed to brave a difficult job market after the programme. One area in which this is becoming more noticeable is a greater emphasis on personal development. At Cass, the new intake is, for the first time, being psychometrically tested during the first week of the programme. The idea is that students will go through their MBAs more aware of their strengths and having addressed their weaknesses, making them more employable when they leave. With a sceptical world awaiting them, they may need all the help they can get.

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