

Opportunity in adversity

Despite the current gloom, employers still value MBAs.

Two years ago MBA students dreamed about becoming masters of the universe. Today they just dream about getting a job. The economic crisis has not just reduced global demand for future high-flyers. It has also led many people to question the value of MBA degrees in general, on the grounds that some of them disseminated the fancy financial techniques that helped to produce the crisis. MBA students, many of whom left secure jobs for business school, are rightly worried about whether they will recoup the significant sums they have invested in getting their qualifications.

Business-school officials say that they have just experienced the worst recruiting season they can remember. Although the recession began in late 2007, it largely spared the class of 2008, only to wallop the succeeding class. And demand for MBAs is declining at a time when supply is continuing to grow: more people have been enrolling for MBA courses, partly because they are seen as a route to employment, and partly because they are a refuge for people who are finding it harder to get a job.

The impact of the downturn varies substantially. In America, non-American citizens have been hit particularly hard. In part this is because, following the government's bail-out package, Congress has made it more difficult to hire foreign talent. Only 29% of foreign MBAs at American schools had a job offer a few months before graduation in 2009, down from 54% in 2008. By comparison, 57% of their contemporaries who were US citizens had job offers, down just seven points from the 2008 figure. Some industries have held up better than others. Demand has remained buoyant in consulting, health care, pharmaceuticals, utilities and energy, but has weakened in high-tech and non-profits.

But it would be a mistake to see this as a sign of a broader backlash against MBAs. The economic crisis has certainly provoked some high-profile criticisms of the content of MBA courses. One American website dubbed business schools "academies of the apocalypse", and listed numerous prominent MBAs who, it argued, had helped to cause the crisis, such as Andy Hornby, the deposed head of HBOS, who graduated at the top of his MBA class at Harvard. Harvard Business Review has hosted an online debate on "how to fix business schools". The crisis has also provoked some equally high-profile pledges by business-school deans to put their houses in order. But for the most part the corporate world remains as happy with MBAs as it ever was.

MBAs continue to command a premium on the market: they are more likely to get jobs than people without MBAs and, on average, receive a higher salary. Employers continue to pay MBAs twice as much as people with undergraduate degrees, and 30–35% more than people with lower-level management degrees, such as Master's of Finance. Some 98% of corporate employers report that they are satisfied with their MBA hires, a figure that has not changed since 1998. Figures from the American Bureau of Labour Statistics confirm that education still pays: better qualifications are correlated with higher wages and better job security.

Still, it would be a mistake to think that the economic turmoil will have no impact on the MBA industry, in terms of both supply and demand. Business schools are likely to adjust their curriculums in response to the criticisms that they helped to precipitate the crisis (see article).

Potential MBA students are also much more conscious of getting value for money. Some are abandoning high-profile business schools for their less well-known rivals. Others are searching the world for the best bargains. One of the most interesting trends is for American MBA students to turn to Europe, where courses are shorter, and therefore cheaper, than in America

and where international experience is thrown in for free. This year American students outnumber all other nationalities at INSEAD, near Paris, for the first time.

MBA's may also find themselves working in areas far beyond the traditional hothouses. Many governments regard the economic slowdown as a chance to hire people who would not normally give them a second look. The American government has posted more than 46,000 job openings (the CIA, for example, has been particularly keen on recruiting people with a business background). Similarly, many small businesses are hiring topnotch business-school students who would normally be outside their price range. The result of all this may be a paradoxical one: far from damaging the MBA degree, the economic crisis may end up increasing its influence as MBAs try to apply their skills to new areas.

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