

A costly lesson

If "executive" MBA programmes are not much different from their full-time counterparts, how do business schools justify charging twice the price?

IT STARTED with a little-reported court judgement in an American backwater. In 2007 Ruth Creps, a resident of Idaho, was made redundant by her employer. She applied for funds from the Federal Trade Adjustment Assistance programme, a scheme designed to help retrain workers who lost their jobs due to international trade competition. Ms Creps wanted to take an MBA at nearby Boise University, but decided that she would rather do the \$41,000 part-time "executive" MBA (EMBA)—which is usually paid for by employers who are looking to train up their high potentials—instead of the full-time programme which cost just \$14,000. When her request was turned down Ms Creps fought them all the way to the Idaho Supreme Court, only to lose because the court decided the more expensive programme was not significantly different from its traditional alternative.

The decision was seized upon by business education commentators and a debate began as to how business schools could justify charging so much more for their executive MBAs. At INSEAD in France, for example, a full-time MBA costs €52,000, while the EMBA comes in at €90,000. Where schools getting away with it simply because firms have deeper pockets than individuals?

Not surprisingly, there is no shortage of business-school types eager to defend the price differential. According to Jenny George, dean of Melbourne Business School in Australia, one of the key reasons is the profile of the students. Executive MBA participants tend to be ten or twenty years older than their counterparts on conventional programmes and have significantly more experience. Their expectations are correspondingly higher in everything from accommodation and catering to class size and style of teaching. Meeting those expectations costs money.

Indeed one of the biggest challenges facing executive-MBA providers is finding faculty that can hold the attention of such a demanding audience. Most EMBA participants have already learned the basic lessons of business and are on their chosen programme because they want better insight into the way they are operating within their present company, rather than for personal development or a career change. Such lessons are both difficult and expensive to teach.

EMBA students expect to be taught by people who not only have the theory but who also have demonstrable real-life experience. Sean Kilbride, a professor at HEC School of Management, Paris, says that this means flying in top professors from all over the world and recruiting business veterans with credibility, including former CEOs.

Some question whether it is even valid to make a direct comparison between an executive and a standard MBA. Paul Healy of the Vlerick Leuven school in Belgium points out that a full-time MBA takes students out of the workplace for at least a year with a consequent loss of salary. EMBA students, on the other hand, remain in employment and study part time. Looked at this way the difference in the cost to the student quickly shrinks—although this does little to explain why the school itself should charge more.

Nevertheless, having MBAs who remain in their jobs can produce benefit both for the students and the employer. Simon Learmount, director of the EMBA at Cambridge's Judge school, cites examples from his own class who applied classroom lessons as soon as they returned to the office, including one who concluded a lucrative deal with a Latin American client on the back of a cultural awareness class.

Perhaps the best answer to the question about price differential lies not in the quality of teaching or faculty or even in the standard of accommodation, food and wine. Instead, the premium comes down to the doors that an EMBA opens. More honest graduates admit that the most valuable thing they got from their business school was not any classroom lesson or insight, but membership of an exclusive club. And while a full-time MBA might give you access to the junior branch an EMBA gives you a lifetime pass to the senior common room itself. As Ms Creps's lawyers could have argued: it's not what you know but who you know.

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