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## Is It Time to Retrain B-Schools?

By KELLEY HOLLAND

JOHN Thain has one. So do Richard Fuld, Stanley O’Neal and [Vikram Pandit](#). For that matter, so does [John Paulson](#), the hedge fund kingpin.

Yes, all five have fat bank accounts, even now, and all have made their share of headlines. But these current and former giants of finance also are all card-carrying M.B.A. ’s.

The master’s of business administration, a gateway credential throughout corporate America, is especially coveted on Wall Street; in recent years, top business schools have routinely sent more than 40 percent of their graduates into the world of finance.

But with the economy in disarray and so many financial firms in free fall, analysts, and even educators themselves, are wondering if the way business students are taught may have contributed to the most serious economic crisis in decades.

“It is so obvious that something big has failed,” said Ángel Cabrera, dean of the Thunderbird School of Global Management in Glendale, Ariz. “We can look the other way, but come on. The C.E.O. ’s of those companies, those are people we used to brag about. We cannot say, ‘Well, it wasn’t our fault’ when there is such a systemic, widespread failure of leadership.”

Critics of business education have many complaints. Some say the schools have become too scientific, too detached from real-world issues. Others say students are taught to come up with hasty solutions to complicated problems. Another group contends that schools give students a limited and distorted view of their role – that they graduate with a focus on maximizing shareholder value and only a limited understanding of ethical and social considerations essential to business leadership.

Such shortcomings may have left business school graduates inadequately prepared to make the decisions that, taken together, might have helped mitigate the [financial crisis](#), critics say.

“There are extraordinary things taking place in business education, and a lot that is very promising,” said Judith F. Samuelson, executive director of the Business and Society Program at the Aspen Institute. “But what’s the central theorem of business education? It’s wanting.”

Some employers and recruiters also question the value of an M.B.A., and are telling young people they can get better training on the job than in business school. A growing number are setting up programs to help employees develop skills in-house.

On many campuses, changes are under way in courses and curriculums. Some schools are heightening their focus on long-term thinking or leadership, and many are adding seminars to address the economic crisis.

Jay O. Light, the dean of Harvard Business School, argues that there have been imbalances both on campuses and in the economy. “We lived through an enormous extended period of financial good times, and people became less focused on risks and risk management and more focused on making money,” he said. “We need to move that focus back toward the center.”

BUSINESS SCHOOLS have looked inward before, and some of the current problems may have stemmed from their last major self-examination. In the late 1950s, reports that the Ford and Carnegie foundations commissioned found mediocre faculty, and curriculums narrowly focused on vocational skills.

One of their recommendations was for business schools to become much more analytical and rigorous in their approach. And, over the years, that happened almost everywhere. Doctoral programs are commonplace. Professors conduct independent research and publish often in scholarly journals. Students learn complex models for analyzing competitive strategy, valuing options and more.

But schools may have gone too far in this direction, according to Warren Bennis, a professor of management at the [University of Southern California](#). The schools suffer from “an overemphasis on the rigor and an underemphasis on relevance,” he said. “Business schools have forgotten that they are a professional school.”

Henry Mintzberg, a professor of management studies at [McGill University](#) in Montreal, also argues that because students spend so much time developing quick responses to packaged versions of business problems, they do not learn enough about real-world experiences.

For all of the emphasis on analytical rigor in business schools today, another major recommendation of the foundations’ reports from the 1950s – that business become a true profession, with a code of conduct and an ideology about its role in society – got far less traction, said Rakesh Khurana, a professor at Harvard Business School and author of “From Higher Aims to Hired Hands,” a historical analysis of business education.

Business schools, he said, never really taught their students that, like doctors and lawyers, they were part of a profession. And in the 1970s, he said, the idea took hold that a company’s stock price was the primary barometer of success, which changed the schools’ concept of proper management techniques.

Instead of being viewed as long-term economic stewards, he said, managers came to be seen

as mainly as the agents of the owners – the shareholders – and responsible for maximizing shareholder wealth.

“A kind of market fundamentalism took hold in business education,” Professor Khurana said. “The new logic of shareholder primacy absolved management of any responsibility for anything other than financial results.”

Outwardly, at least, business schools look robust. For years, they have drawn some of the most talented students, and many top candidates are still applying. In fact, business school applications typically rise as the economy softens because potential students see graduate school as a haven from professional uncertainty.

Employers are making fewer recruiting trips to business schools this year, given the economy, but newly minted M.B.A.'s are still winning highly selective jobs in finance and consulting. A survey last year of M.B.A. candidates worldwide by the Graduate Management Admission Council, which administers the GMAT, found that 29 percent of incoming M.B.A. candidates were working in finance or consulting, and that 53 percent went into those industries upon graduating.

For universities, business education is a kind of cash cow. Business schools are less expensive to operate than graduate schools with elaborate labs and research facilities, and alumni tend to be generous with donations.

Business education is big business, too. Some 146,000 graduate degrees in business were awarded in 2005-06, roughly one-fourth of the 594,000 graduate degrees awarded that school year, according to the Education Department.

Still, there have been signs that all is not well in business education. A study of cheating among graduate students, published in 2006 in the journal *Academy of Management Learning & Education*, found that 56 percent of all M.B.A. students cheated regularly – more than in any other discipline. The authors attributed that to “perceived peer behavior” – in other words, students believed everyone else was doing it.

Some employers are also questioning the value of an M.B.A. degree. A research project that two [Harvard](#) professors released in 2008 found that employers valued graduates' ability to think through complex business problems, but that something was still lacking.

“There is a need to broaden from the analytical focus of M.B.A. programs for more emphasis on skills and a sense of purpose and identity,” said David A. Garvin, a professor of business administration and one of the project's authors.

Indeed, students themselves may welcome an emphasis on character skills. In surveys that the Aspen Institute regularly conducts, M.B.A. candidates say they actually become less confident during their time in business school that they will be able to resolve ethical quandaries in the workplace.

Business education “accentuates the simple technical pieces,” said Ms. Samuelson of the Aspen Institute, and “ignores the real complexity and, frankly, the really exciting opportunities business has to be the driver of long-term prosperity.”

A GROWING number of business schools are trying new approaches – and many are finding valuable lessons to draw from the economic crisis.

At the Stern School of Business of [New York University](#) – situated in what its dean, Thomas F. Cooley, called “the belly of the beast” in Lower Manhattan – 33 professors recently wrote papers analyzing the crisis and offering policy recommendations that have been combined in a book to be published this month. A course that Stern offered on the book filled up minutes after it was announced, Mr. Cooley said.

Thomas Philippon, an assistant professor of finance at Stern, plans to incorporate the changed world into his class this fall. While he plans to keep discussing basic financial concepts and tools, he also plans to spend more time on concepts like systemic risk.

Professor Philippon also plans to inject a discussion of whether or not the market is always right when it values things. “You would not have had that discussion three years ago,” he said.

Some schools had deep reviews of their curriculums under way even before the economic crisis unfurled.

Last year, Harvard Business School began a review pegged to its centennial, and it’s considering ways to make courses more global. There will probably also be more emphasis on leadership skills, Dean Light said.

“I think we need to redouble our efforts,” he said, “to make sure that even those people we send to financial services are first and foremost leaders who understand situations from a general management perspective.”

More immediately, Harvard is assembling cases based on recent events – issues involving accounting practices, for example, and [JPMorgan Chase’s](#) acquisition of [Bear Stearns](#).

In 2006, the [Yale](#) School of Management introduced a curriculum offering interdisciplinary perspectives on complex problems. It’s also developing cases based on the financial crisis, and there are plans to devote sessions in the core curriculum to the crisis.

The Aspen Institute, meanwhile, is trying to change business education from the outside. It produces an annual report ranking business schools on how well they integrate social and environmental issues into curriculums. (Not all schools participate in its research, however.)

It has also developed a curriculum in conjunction with the Yale School of Management that is aimed at teaching students how to act upon their values at work. About 55 business schools,

including those at Stanford, Northwestern and M.I.T, are using all or part of it in pilot programs.

There are also calls to make management a profession like law or medicine, with a code of conduct, a certification examination and continuing education.

Dean Cabrera of Thunderbird has been working with the [United Nations](#) Global Compact, which promotes standards for sustainable business practices, and led a task force in developing a set of “Principles for Responsible Management Education” that follow a similar philosophy. Roughly 200 business schools worldwide, including Thunderbird, have adopted them, though some of the best-known American schools are not on the list.

At the Yale School of Management, the new dean, Sharon M. Oster, has called for a renewed focus on the social value of management. “Business creates value in terms of services and products,” she said. “That’s what business delivers, just like medicine delivers a healthy person.”

PROFESSIONALIZATION is hardly a panacea. No one would argue that lawyers, doctors and accountants are immune from wrongdoing or poor judgment, and they have long been taking certification exams and promising to act ethically. It is also unclear who would monitor continuing education and what kind of certification would be required.

But surveys of business students show that they are starting to focus more on social issues and ethics, and that this could intensify talk of making managers’ obligations to society more explicit.

“The challenge for a lot of business schools is how to develop leaders and not managers,” said James Tran, a candidate for an M.B.A. and a master’s in public administration at Harvard. Many of the top schools are moving in that direction, he said, but “I don’t think they have actually figured out how to do that in the most effective way.”

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