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THE TROUBLE WITH MBAS

Business schools aren't giving them the skills employers need—leading, creating, communicating—so companies are doing it themselves, or looking elsewhere. ■ by Alan Deutschman

ROGER KATZ, Wharton MBA class of '91, personifies the idealistic, articulate, creative, technologically hip, and withal modest souls that business schools are striving so desperately to turn out. The Michigan native earned a prior master's in transportation engineering from the University of California at Berkeley and analyzed air-traffic control communications for Bell Labs. At Wharton he teamed with a classmate to start a software venture. Between terms he helped create a job training program for the disabled in San Miguel de Allende, Mexico.

REPORTER ASSOCIATE Sandra L. Kirsh

The surprise is that Katz, 27, graduated without a job. He did get an offer from United Airlines, but the company's bureaucratic ways turned him off, and the prospective \$47,000 annual salary was only \$2,000 more than he earned in his last year at Bell Labs. Even with a \$5,000 signing bonus, the offer was out of line, he says, given his experience and two graduate degrees. In June, after graduation, he headed to California, parlaying his contacts into interviews with small firms in computers, video, and film.

Katz belongs to a growing cadre of MBAs driven by choice or necessity to seek their fate outside the corporate establishment. In

1991 only about half the students from top schools are taking jobs with companies that recruit on campus, the P&Gs or McKinseys that have long represented career Golconda. Increasingly MBAs must search in the hidden job market (Hello, Uncle Herbert?), a disturbingly infra dig undertaking for folks who just paid \$70,000 for what they thought was the heights.

A temporary embarrassment caused by the recession? Hardly. "It's the beginning of the way life is going to be," says Maureen McNulty, director of career placement at the Stanford business school. "There's so much consolidation at firms. We can't be passiv

1991 Wharton graduate Roger Katz is still looking for a job, assisted by his wife, Karen, an AT&T Bell Labs quality expert, in a Silicon Valley coffee shop.



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and rely on the traditional players." In a speech to executives from companies with under \$40 million a year in sales and fewer than 500 employees, she said: "The most important message I can give you from the Stanford placement office is, we're cheap and easy... organizationally. We want to work with you, and we're easy to work with." Stanford and its ilk, which long seemed intimidating to smallish enterprises, are in essence declaring. Please fax us a job posting—our MBAs will come to you.

A HARD LOOK at what business schools are turning out suggests that it's little wonder that employers aren't clamoring for the product. The sad fact gradually dawning on both employers and academicians: Business education has become largely irrelevant to business practice. Corporate recruiters complain that MBAs lack creativity, people skills, aptitude for teamwork, and the ability to speak and write with clarity and conciseness—all hallmarks of a good manager. Blame their teachers, in part: Professors seeking promotion churn out scholarly articles but somehow let the pivotal management concepts of the Eighties get past them. "Business schools completely missed the quality revolution," observes Robert Kaplan, a professor at Harvard business school. They remain oblivious to time-based competition and

breakthroughs in technology and information management, he maintains. Who needs managers who have just spent two years with such an out-of-date crowd?

In response to the problem, business schools have begun trying to change how and what they teach, groping for relevance. It may be too late. Traditionally more than half of all MBA candidates have studied part time, often while their employers paid the tuition. But smart companies are following the model of General Electric and increasingly training their own managers in lieu of shipping them off to campus. In the mid-1980s Westinghouse abandoned B-schools that didn't teach quality in a big way. Harvard's Kaplan argues that GE's in-house corporate training is more relevant to current business practices than a typical MBA program. So why pay a premium to hire MBAs, he asks, when you can snatch the brightest students with bachelor's degrees in engineering or liberal arts, then teach them what they really need to know about business? Says John Rosenblum, dean of the University of Virginia's Darden School: "Companies are going from being our customers to our competitors."

Now that big industrial companies are doing so much of their own management training, what's the purpose of the MBA degree?

Even the McKinsey & Co consulting firm, which collects top-flight MBAs the way Madonna collects undergarments, is rethinking its ways. Terry Williams, the senior partner in charge of recruiting, says: "We may have to extend our search into engineering schools, law schools, journalism schools, even employers like the Federal Reserve banks or congressional staff committees. The pool of people with the right age will diminish 15% in the coming

years." The last of the baby-boomers, age 27, are just entering business schools now. McKinsey hired 226 consultants overseas last year—predominantly foreign nationals many without MBAs—vs. 180 in the U.S. Says Williams: "We've observed there's more to life than MBAs."

Remarkable notions from a firm that's willing to pay top dollar and thus can take its pick of the MBA litter. But Williams thinks business schools will attract a declining share of the people who "will become leaders and have an unusual number of ideas. The top talent at universities is often richer in skills and long-term potential than at business schools. If you look just at those who go on to business schools, you've lost a large percentage of the truly outstandingnaissance people who could be great at anything." Now that industrial companies and professional firms like McKinsey are doing so much of their own training, Williams asks: "What's the purpose of the MBA degree? Hiring from universities is a growing business. The MBA degree must fight fiercely for its viability."

Traditionally, going to B-school has been a bit like doing an LBO of yourself, except that the interest on tuition loans isn't deductible. The pressure they feel for fast payback has led MBAs to make intense demands of their employers, demands that are meeting steadily increasing resistance. These high expectations have been exacerbated by ever fiercer competition for admission, which favors older types willing to skip up impressive first careers. Stanford's applications nearly doubled in the past 20 years, from 2,321 to 4,057, for the same 330 spots. Only one member of the class of '91 graduated directly from college. The typical student entered after five years of full-time work and graduated at 29.

A few companies have had the smart



This final exam tests how well Pitt MBA student Julie Cohen learned Japanese in a three-week course.

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take advantage of this enhanced maturity. General Mills is hiring fewer MBAs into its restructured ranks but using them more shrewdly: "We used to have a traditional structure with a lot of layers and supervision of new people," says Steve Sanger, president of the cereal division. "New MBAs tended to do things that didn't tap their initiative—legwork exercises such as getting a bunch of people in various departments to sign off on a new packaging design. Now an MBA typically has responsibility for a brand the day he walks in. Our MBAs feel much more challenged right away. There's still a strongly ambitious aspect to most MBAs, but their expectations are more consistent with the nature of the job."

UNFORTUNATELY, most companies aren't nearly as comfortable confronting MBAs' turbocharged demands. AT&T wants to recruit more B-school grads for stints in sales, hawk-ing long-distance services or interoffice networks. The laudable idea: Get MBAs as close

as possible to the customer for a while before the young hot-shots move on to assignments in strategic planning or international management. Connie Rose, an AT&T national recruiting manager, concludes "it's a hard sell," though, because MBAs would have to get by on a salesperson's pay for 18 to 24 months.

Rose says the aging of MBA grads has "without a doubt" increased pressures for higher salaries. As yet AT&T hasn't found its way clear to tap MBAs for more highly skilled, self-starter roles. Rose leads a 12-person committee that is rethinking how the giant company uses MBAs—and whether it makes more sense to hire BAs and BSs instead. The committee recently surveyed AT&T vice presidents in fiefdoms sporting the company's highest concentrations of MBAs. The VPs said they like the maturity of their

"The most important message I can give you from the Stanford placement office is, we're cheap and easy," says its placement director.

business school grads (at least compared with 22-year-olds) but find them less than terrific at managing people and working in teams.

The elusive proficiencies long derided by deans and dons as "soft skills" are exactly what companies are coming to want most from managers—and what B-schools, mired in arcane scholarship, seem least suited to instill. In a 1990 survey conducted by the University of Pittsburgh's Katz business school, recruit-

ers from big companies (average size: 50,000 employees) cited communications skills as their No. 1 criterion in choosing MBAs. The key abilities MBAs need on the job, the survey revealed: working effectively with others, making written and oral presentations, thinking and acting entrepreneurially, and managing people. (Note: nothing here about sophisticated theoretical know-

THE NEW CURRICULUMS: WHAT'S HOT AT B-SCHOOLS

CASE WESTERN: All students who want one get an executive assigned as a mentor.

COLUMBIA: Spent over \$1 million so far on initial R&D on a new curriculum that promises to integrate globalism, teamwork, ethics, and quality into all core courses. Phase in: fall 1992 through 1994 or so.

GEORGETOWN: Harkens to Jesuit tradition in year-long required course on ethics and public policy. Inside-Beltway location inspires more-global-than-thou posture.

NYU (STERN): Increasing class hours by 40%, one reason it's moving from Wall

Street's doorstep to more spacious digs in Greenwich Village. Offers full-term foreign exchange program in lieu of the increasingly common one- to four-week study trips, which dean West calls "junketing."

CHICAGO: Required leadership course, which in past included a weekend retreat to Wisconsin, where students watched a John Cleese film and played Desert Survival vs. executives. Quality became a "recognized field of study" here last year.

DENVER: Three-week MBA "boot camp" includes wilderness trip, etiquette lessons

by Letitia Baldrige, "cultural sensitivity training," and work stints at soup kitchens.

PENN (WHARTON): Experimenting with scrapping old-style semesters in favor of quickie six-week minicourses.

PITTSBURGH (KATZ): An MBA in only 11 months, unique among major U.S. schools. Saves a bundle on tuition.

VIRGINIA (DARDEN): Twenty-student teams conduct unpaid field research for companies, often overseas. Leadership course includes management simulations and "cross-cultural exercises."

	GLOBAL PERSPECTIVE	HISTORICAL PERSPECTIVE	ETHICS	FOREIGN LANGUAGE	QUALITY	BUSINESS GAMES	LEADERSHIP/TEAMWORK	CONSULTING PROJECTS	MBA SUMMER CAMP	EXECUTIVE MENTORS	OUTW BOUN
Case Western Reserve		●					●			●	
Columbia University	●	●	●		●		●				
Georgetown University			●				●	●			
New York University		●	●		●		●				
University of Chicago			●		●		●		●		●
University of Denver			●		●	●	●				●
University of Pennsylvania		●	●		●	●	●	●			●
University of Pittsburgh			●		●		●	●			
University of Virginia			●		●	●	●	●			

CIRCLES DENOTE REQUIRED COURSES OR STRONGLY EMPHASIZED CURRICULAR PROGRAMS OR THEMES. INTENSIVE FOREIGN LANGUAGE COURSES ARE NEWLY OFFERED OPTIONS.

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edge.). When the recruiters were asked "What one improvement would you suggest to deans concerning their MBA programs?" teaching the soft skills came in a close second behind instilling "more realistic expectations of the first job."

MAJOR BUSINESS schools including Wharton, Columbia, and Chicago have finally undertaken serious market research to determine what their customers want—and whether they are delivering it (short answer: no). Wharton interviewed over 1,000 recruiters, alumni, and executives, who found MBAs least skilled in dealing with people, leadership, teamwork, negotiating, communicating, and creativity. Professor Yoram "Jerry" Wind, director of the study, detected "enormous dissatisfaction" with MBAs who have to work outside their functional specialties—the inscrutable, formula-mumbling quant jock, say, who finds himself abruptly promoted to general manager. It used to be that this transition from geek and grind to general manager didn't occur until someone was out of college for around 15 years, says John Gould, dean of the University of Chicago business school. Now it's more likely to take only three to seven years, he calculates, because companies are less hierarchical and more fragmented into small business units where managers make their own decisions.

Wharton is following up its study by testing a thoroughly revamped curriculum—you guessed it: more soft skills, everything with an eye toward globalism—on 130 of its 750 incoming students. When the sun rises on August 6, these randomly chosen campus newbies will sweat through their first required class: daily aerobics (7 A.M.). With the fall term still a month away, the so-called experimental students check in for the "pre-entry program," a.k.a. MBA Camp, which on paper at least sounds like a sort of Club Med for overachievers: barbecues, picnics, blowout parties, intramural Olympics; Phillies games; pleasure trips to Manhattan, the Pocono Mountains, the Jersey shore. (*Build peer relationships.*) Seminars on art history and architecture. (*Creativity... Explore diverse modes of thinking.*)

What about studying business? Yes, there are cram courses in the quantitative stuff that MBAs used to spend all year plodding through: accounting, economics, statistics, computers. But students can take waiver tests and get those old-hat requirements out of the way before September, in time to focus on business simulation games and interactive-video peer-personality assessments and quickie six-week trendoid minicourses (*Geopolitics, Teamwork, Change*) and four-week class trips to Japan or Germany.

"This is the first time any curriculum is really responsive to market requirements," boasts Wind. "Historically, we the faculty always 'knew' what the student should study and how." He also volunteers a disquieting note: Rigorous scholars really don't know much, if anything, about all this trendy stuff on the supposedly softer side. "We don't have a theory of leadership that's widely accepted, especially in different cultures or multicultural teams," he says.

No wonder, then, that much of the new learning oozing into B-school curriculums is developed by outside contractors or by students themselves and has little to do with professors or academic models. Many a dean has taken notice of Chicago's new mainstay course on leadership, negotiation, communications, self-awareness, and ethics, which has been wildly popular with students since its introduction in 1989.

Students design and run the required course, sending themselves to get lost in the woods on Outward Bound trips, for example, or hiring the Second City comedy troupe to teach them to be funnier and more spontaneous. No one thinks it's just coincidence that Chicago rose from a disheartening No. 11 in *Business Week's* 1988 rankings of MBA programs to No. 4 in 1990. Now Wharton is contracting with Outward Bound too.

"The Chicago example is scary," says Richard West, dean of New York University's Stern business school. "To think that in two years a single nongraded course could have

"It's appalling that we have to put people on the payroll to help others with their English, but we do," says the dean of Pittsburgh's B-school.

that much impact [inings]. It could cause say that all along we ed to keep studen somehow." *Business* should be noted, reli on polls of a schoo graduating class, tu exercise into somel feel-good contest; i doesn't bother to alumni years after gr who might be able to j ter the value of their Much of the rush t ize B-school program

from fear and envy over the rati lished since 1987 by *U.S. News & I port* (which canvasses academics ar and since 1988 by *Business Week* (v veys recruiters and the latest gr The attention they get casts a terr over deans as well as would-be ME when students applied during seni college, B-schools could court the patching road shows to campuses. magazines' rankings are gospel fi of applicants, many of them far f college campuses, who are too bu duct their own research.

THE RANKINGS FRE making deans resort to tactics. Business schools discourage application wanna-bes who didn't have a dece of getting in: Harvard's intimidati cation requires nine essays. Now are doing just the opposite bec more candidates who apply onl dinged or hosed (studentspeak f ed), the higher the schools plac *U.S. News* chart. NYU's Dick Wes schools will make applications e some may even waive the fee. Qu sociate dean at another school: " our acceptance rate down even if to pay people to apply."

Foreign students, mere tokens ago, now fill one-quarter of the stc tier U.S. schools, which rushed French and Japanese applicants a cut toward "internationalizing" t experience. Since 1985 Columbia cohort has risen from a low of 10% of the student body. For its incom applications from the U.S. fell 2% from abroad rose 17%. Foreigners of whom require scholarship : from the institutions that enroll th

"The top talent at universities is often richer in skills and long-term potential than the top talent at the graduate business schools."

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become almost as pervasive at American business schools as they are at graduate engineering schools.

The increase in foreign students coincides with an increased emphasis on international business, but infusing the curriculum with a global view is a lot harder than filling the classrooms with native German speakers. While deans push hard to get international materials integrated into virtually all courses, schools have been dispatching squadrons of MBAs on foreign study trips. Columbia dean Meyer Feldberg says students value the experience more if they plan the excursions on their own. It's also common for students to foot a large part of the bill, as did 13 Darden students who visited the Soviet Union last term. Foreign language training has become another hot item. Pittsburgh's Katz School offers three-week intensive courses in French, Spanish, German, and Japanese (really, now). Wharton is introducing Berlitz-style courses too.

But will the international emphasis make MBAs any more attractive to employers? Corporate demand for global managers is

real—General Mills, for instance, recognizes that its MBA hires must prove capable of working with the managers of its European joint venture with Nestlé. But it's hard to see most of these B-school programs as more than superficial attempts to appease employers' serious pleas for global perspective.

NOR HAVE BUSINESS schools really figured how to cope with the Eighties-induced concern about ethics. Jerry Zoffer, dean of Pitt's Katz School, says a major moral issue in the burgeoning field of management information systems (MIS) is invasion of privacy, but doctoral candidates at top schools—the students who become tomorrow's business school faculty—don't even study it. Ethics is now a required course at the Harvard business school; it's also the only course there that isn't graded. Harvard students say that in other courses it has become more acceptable to use ethics as the topic of "chip shots"—throwaway lines that assure you won't flunk on class participation.

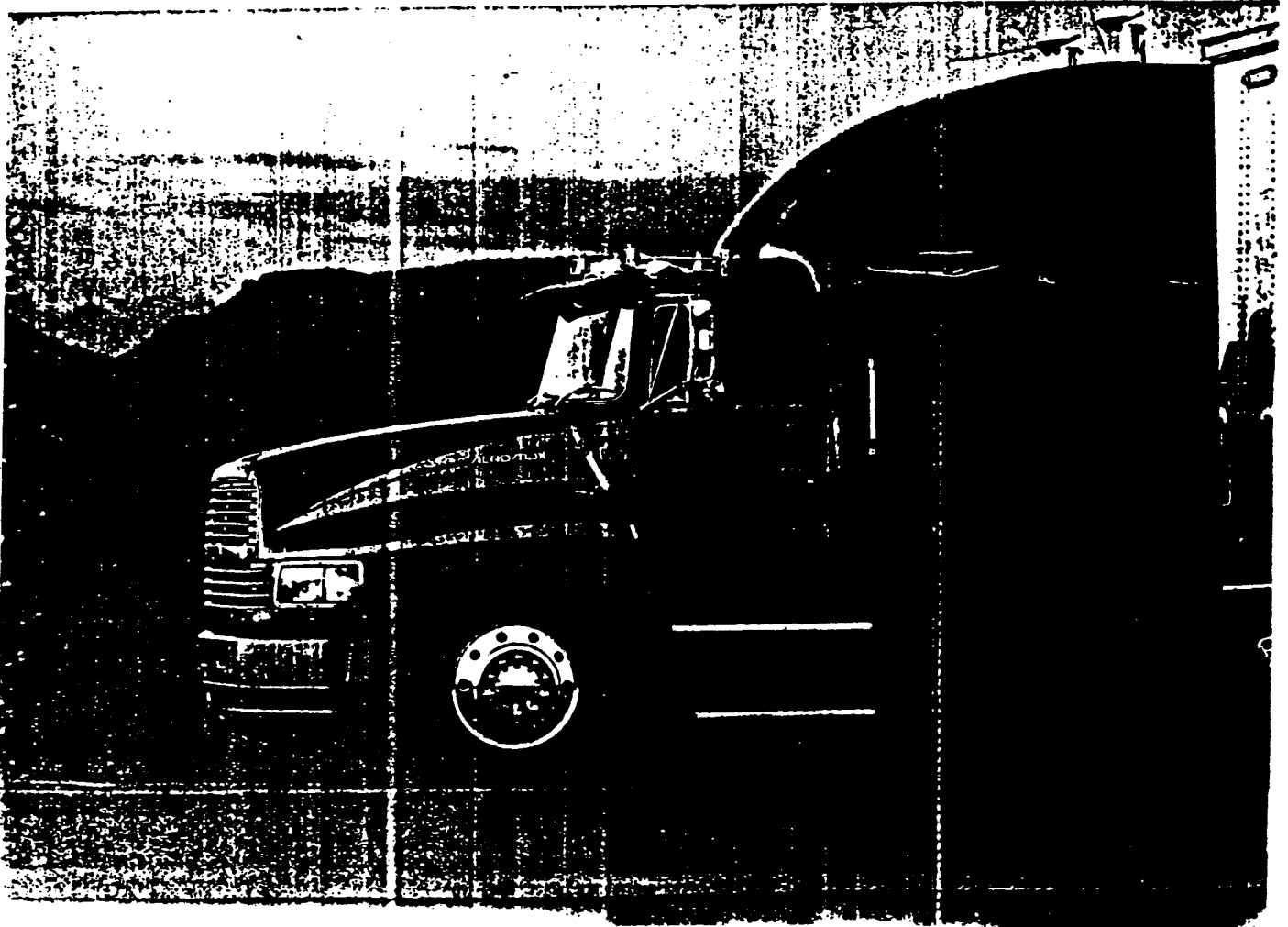
CLASS COMPARISON

STANFORD BUSINESS SCHOOL

STUDENT BODY	CLASS OF '71	CLASS OF '81
Mean age at entrance	25.0	27.3
% with full-time work experience	39.0%	99.7%
% women	1.2%	31.1%
Total applicants	2,321	4,057

In skills such as writing, speaking, and foreign languages, the B-schools are forced to compensate for the many sins of American high schools and colleges, in effect supplying remedial instruction. This is an unseemly position for elite graduate schools that became even more fiercely selective in the Eighties. "It's appalling that we have to put people on the payroll who help others with their English, but we do," says Zoffer of the Katz School. He says it's "relatively rare" to find entering students who can persuade others of their opinions and write concise explanations.

Whatever their preparation, some MBA candidates work much harder while on campus than others: NYU's West compared the



hours of required class time at top schools and found a huge gap. "Contact hours" between professors and students ranged from nearly 1,000 to the low 500s. The low-hour schools got that way by allowing an orgy of faculty selfishness, paring teaching loads to free up time for research, which pursuit leads to tenure and prestige within the profession. West's school, NYU, which came out on the low side, will increase the teaching hours required of faculty 40% by autumn 1992.

That change betokens a war that has broken out between the deans, newly infused with sensitivity to the market, and the dons, whom some deans view as barriers to change. Why is Wharton trying out its new curriculum on only a sixth of the entering students? One reason: It has to ask only a sixth of the faculty to "tear up their notes and start all over," says vice dean David Reibstein. Later the more closed-minded teachers can crib notes from these innovators. Dick West enlarges on the theme: "You don't choose at random who teaches in your core anymore. You get the best."

Why are business school academicians so

alienated from their students? West points out that professors rarely get MBAs enroute to their Ph.D.s—Harvard is a notable exception—following instead a more scholarly track. Nor did most professors ever intend to become business people. Since the scholars aren't "educated and socialized into the profession," West says, they have little sense of identification with their pupils: "Your 'workers' don't know much about the 'product.'" In contrast, future med-school professors go to med school, hang out with classmates, and share thoughts and fears about life ahead as a physician.

THERE SEEMS an even greater distance between the concerns of B-school professors and those of corporate America, as evidenced by an extraordinary address to April's annual meeting of the American Assembly of Collegiate Schools of Business, the accreditation group, by Harvard's Kaplan. He searched Baker Library for recent scholarship on quality, he reported, looking in the most obvious place, journals of operations

management. The score: one year, four journal publications, 35 issues, 278 articles: a big zero articles on quality.

Why? Kaplan cites the comments of professors who attended a Xerox quality conference and thus presumably had at least a vague interest in the topic. The academics said there's no "hard" evidence that quality management works, and besides, the hiring and promotion process rewards them for being functional specialists, not generalists.

Kaplan argues that "in some fields 25 years of academic business school research has yielded little or no fundamental knowledge relevant for managing a company or future business organization." He predicts that only after B-school market share to corporate training programs and European competitors with "pain of irrelevancy" lead to real reform then, he concludes in academese, "business schools, like other declining U.S. industries that adjusted slowly to environmental, technological, and competitive changes, will find it difficult to survive at the same scale of industry share and margins."

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