



## Business Education in the 21<sup>st</sup> Century

- Moderators: **David A. Garvin**, *C. Roland Christensen Professor of Business Administration, Chair, MBA Elective Curriculum*  
**Srikant M. Datar**, *Arthur Lowes Dickinson Professor of Accounting, Senior Associate Dean, Director of Research*

### Overview

On the whole, MBA programs are in decline. Their value is being questioned, and they are seen as overly emphasizing analytics rather than skill development and experiences. Deans, executives, and recruiters identified four main areas where current MBA programs are falling short: leadership; globalization; communication/presentation skills; and problem identification in ambiguous environments.

In response, MBA programs are innovating and experimenting to change the MBA experience, and to help business education regain its relevance and value. They are changing their curricula and are attempting to make the learning experience more interactive, engaging, global, and experiential.

### Context

The faculty moderators provided data about the challenges facing the business education marketplace and presented qualitative information on innovations in top MBA programs.

### Key Takeaways

- **The full-time, two-year, traditional MBA program is in decline.**

Professor Garvin described the results of a one-and-a-half-year research project focused on identifying the strengths and weaknesses of the current array of MBA offerings. This research has aimed to identify the shortcomings of business research and address the changes that are necessary for an MBA education to stay relevant. The research, which was completed prior to the current economic crisis, encompassed extensive interviews with deans, recruiters, and students; analyses of curricula and course offerings; in-depth case studies of individual programs; and quantitative analysis using data from 1998 to 2006.

The historical legacy of a two-year, full-time, in-residence MBA program is morphing to suit a changing environment. These key changes include the following characteristics:

- *Compressing the experience.* In all MBA programs, there is pressure for shorter programs. A one-year MBA has become the program of choice, particularly in Europe, where many undergraduate programs last five years and military service is often compulsory. These one-year European programs pack almost 80% of the course hours of a two-year program into one year.
- *“Career switchers” vs. “career accelerators.”* The two-year MBA is increasingly viewed as for “career switchers,” while part-time and executive MBA programs, which are on the increase, are considered

“career accelerators.” Of the top 20 schools, 14 offer some combination of a part-time and executive MBA.

- *Growth in specialized degrees.* Increasingly MBA programs are offering not just a general MBA degree, but very specialized MBAs, such as an MBA in supply chain management or a particular area of finance.
- *Only top schools fill two-year programs.* Analysis shows that two-year, full-time programs are stable only at the highest ranked of the top 36 MBA programs worldwide. Enrollment in two-year programs at lower-ranked schools has decreased by 20-50% even as they have eased acceptance rates by 10% to 20%.

- **MBA programs are in decline partly because the education is not seen as relevant.**

Increasingly employers are discouraging employees from pursuing an MBA, telling them that it isn't necessary for advancement and that staying in the workforce will give them greater knowledge and skills. And, many employees are taking this advice and are choosing not to go to business school, not seeing it as necessary. Those employers providing this advice and employees who choose not to attend clearly don't see value in an MBA.

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*“A top recruiter at Harvard Business School said, ‘If given a choice between the admit list and the graduation list, the admit list is what you want.’”*

— David A. Garvin

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In the financial services sector, long the biggest employer of graduating MBAs, having an MBA does not increase the odds of promotion. McKinsey now hires in a 50/50 split, with half of new employees coming from MBA programs and the other half consisting of Ph.D.s, MDs, law school graduates, or graduates with other degrees. Their non-MBA employees go through a six-week training period and are deemed ready to perform—without needing an MBA.

The reasons for the decline of MBA programs can be thought of in terms of either threats or opportunities to reinvent the MBA experience. Deans, executives, and recruiters offered specific reasons for this decline:

- *Near commoditization of programs.* Most programs offer and require very similar courses in a fairly fixed and preset sequence, using almost identical textbooks and case studies. During the second year, although offering similar courses across the board, almost all programs offer up a buffet of offerings.

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*“There is an increased commoditization of business schools today.”*

— David A. Garvin

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— *Not cutting-edge education and an overemphasis on analytics.* Often the education provided is seen as highly academic but with limited value in practice; it is driven by academic agendas rather than real-life issues. Recruiters and employers want more emphasis on practical issues and skills, such as:

- *Leadership.* Although of primary importance, this has not been taught well in the classroom, partly because leadership is hard to teach. It requires assessment, personalized coaching, and customized challenges. As organizations evolve from “command-and-control” to less hierarchical low-authority, high-conflict environments, leadership is less about authority and more about influence.
- *Globalization.* Understanding what is universal and what is contingent on culture is critical, along with the cultural awareness and ability to do business with people of different cultures.
- *Communication/presentation skills.* MBAs receive little training in communicating, particularly presenting and telling a story.
- *Problem identification in ambiguous environments.* Especially in emergent environments, such as Silicon Valley, the ability to frame a problem is the most important first step to progress in a world that combines information overload with information scarcity. However, today students are always given the problem to solve instead of having to identify it.
- *Self-awareness.* Employers want future leaders who are introspective and reflective, and they don’t see MBA programs as developing this skill.

▪ **New experiments and innovation in MBA curricula and how courses are taught is widespread at top schools.**

Professor Datar described case studies, each of which has an area of excellence that represents an important trend in MBA education:

- *Globalization.* The basics to making a program more global are international students and faculty. At INSEAD, in addition, international content is required in all courses. The challenge is how to teach students what it is like to be a general manager in a globalized world. While some schools have international exchange programs, international trips, or international research centers, INSEAD’s second campus in Singapore provides the ultimate international experience. Students get exposure to another country and culture, and do coursework and work on projects in a different country, a far more immersive experience than a trip.
- *Leadership.* Many schools have focused on leadership through a class on corporate accountability and/or ethics. But some schools are going further. For example, the Center for Creative Leadership is focusing on individual personal development. The learning takes place in small groups or individually. Students are given a baseline assessment followed by challenges to develop weak areas, and then individual coaching.

— *Flexibility and customization.* The University of Chicago provides tremendous flexibility. There is only one required course and courses are customized to the student’s background, with multiple options and choices. In addition, students have complete flexibility as to when they take any course, with no mandated sequence.

Stanford also provides tremendous flexibility with three levels of courses in many areas: basic, advanced, and advanced applications. Also, unlike most other schools, Stanford teaches strategy in the first semester to expose students to the 50,000-foot level and then allow them to go deeper in other areas.

Yale is conducting an experiment where the curriculum is highly integrated. The faculty doesn’t teach functional courses. The course is not “Marketing”; it is “Customer.” There is no course on “Strategy”; it is “Competition.”

— *Innovation and creativity.* The Stanford Design School, which is modeled on the principles of IDEO, aims to help develop students’ skills in the areas of creativity and innovation through experiences.

— *Presentation skills.* Yale teaches a one-week course that focuses on critical thinking. Students are graded by a writing coach for style and whether they are getting their idea across. Beyond that, the course deals with how to attack a question looking at different possible methods: analysis, debate, and inductive versus deductive thinking.

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*“As we rethink MBA education for the next century . . . we ought to be paying more attention to some of the skills that might only come from practice.”*

— Srikant M. Datar

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## Other Important Points

- **Case method value.** The research provided a ringing endorsement of the case method. Today, almost all business schools use the case method in some way.
- **Faculty shortage.** Another of the challenges facing business schools is a lack of qualified faculty. As a result, many programs are using instructors and adjunct teachers.
- **What’s after financial services?** Right now 40-50% of MBA graduates go to work in financial services. It is an open question as to what will happen as employment dries up due to the global financial crisis.
- **International students.** Students from outside the United States make up an increasing percentage of the MBA applicant pool. Harvard Business School is still viewed as a global brand but the danger is that over time international institutions could siphon off this international student body.
- **Languages.** One of INSEAD’s admission requirements is fluency in at least two languages before matriculation, and to learn a third language prior to graduation.



## Speaker Biographies

### David A. Garvin (Moderator)

*C. Roland Christensen Professor of Business Administration, Chair, MBA Elective Curriculum*

David Garvin is the C. Roland Christensen Professor of Business Administration and chair of the MBA elective curriculum at HBS. He joined the faculty in 1979 and has taught courses in leadership, general management, and operations in the MBA Program and the Advanced Management Program. Garvin served as faculty chair of HBS's Teaching and Learning Center. He has also consulted for over 50 organizations, including Biogen Idec, Booz-Allen & Hamilton, BP, Frito-Lay, Gillette, KeySpan, L.L. Bean, 3M, Morgan Stanley, Novartis, Time Life, and the U.S. Forest Service.

Garvin's research interests lie in general management and strategic change, especially organizational learning, business and management processes, and the design and leadership of large, complex organizations. He is the author or coauthor of nine books, including *General Management: Processes and Action*, *Learning in Action*, *Education for Judgment*, and *Managing Quality*; more than 25 articles, including "Change Through Persuasion," "What Every CEO Should Know About Creating New Businesses," and "What You Don't Know about Making Decisions;" and eight CD-ROMs and videotape series, including *A Case Study Teacher in Action* and *Putting the Learning Organization to Work*. He is a three-time winner of the McKinsey Award for the best article in *Harvard Business Review*; a winner of the Beckhard Prize for the best article on planned change and organizational development in *MIT Sloan Management Review*; and a winner of the Smith-Weld Prize for the best article about the University in *Harvard* magazine.

Garvin received a BA summa cum laude from Harvard College in 1974, where he was a member of Phi Beta Kappa, and a Ph.D. in economics from MIT in 1979, where he held a National Science Foundation Graduate Fellowship and a Sloan Foundation Fellowship.

Before coming to HBS, Garvin worked as an economist for the Federal Trade Commission, studying federal energy policies, and the Sloan Commission on Government and Higher Education, studying the impact of federal regulation on the academic and financial policies of colleges and universities. Garvin was a member of the board of overseers of the Malcolm Baldrige National Quality Award (1988–1990) and the manufacturing studies board of the National Research Council (1991–1992). He served on the board of directors of Emerson Hospital from 2002 to 2006.

Garvin enjoys skiing, hiking, bicycling, and travel. He lives in Lexington, Massachusetts, with his wife and two daughters.

### Srikant M. Datar (Moderator)

*Arthur Lowes Dickinson Professor of Accounting, Senior Associate Dean, Director of Research*

Srikant Datar, the Arthur Lowes Dickinson Professor of Accounting, is senior associate dean, director of Research at HBS. A graduate with distinction from the University of Bombay, he received gold medals upon graduation from the Indian Institute of Management Ahmedabad and the Institute of Cost and Works Accountants of India. A chartered accountant, he holds two master's degrees and a Ph.D. from Stanford University.

Cited by his students as a dedicated and innovative teacher, Datar received the George Leland Bach Award for Excellence in the Classroom at Carnegie Mellon University and the Distinguished Teaching Award at Stanford University. He is a coauthor (with Charles Horngren and George Foster) of the leading cost-accounting textbook, *Cost Accounting: A Managerial Emphasis*.

Datar's research interests are in the cost management and management control areas. He has published research on activity-based management, quality, productivity, time-based competition, new-product development, bottleneck management, incentives, and performance evaluation in several prestigious journals, including the *Accounting Review*, the *Journal of Accounting and Economics*, the *Journal of Accounting Research*, *Contemporary Accounting Research*, and *Management Science*. He has served on the editorial boards of several journals and presented his research to corporate executives and academic audiences in North America, South America, Asia, Africa, and Europe.

Datar serves on the board of directors of Novartis AG. and has worked with many corporations, including General Motors, Mellon Bank, Morgan Stanley, Entergy, DuPont, and the Co-operative Bank, on consulting and field-based projects in management accounting and control. He is a member of the American Accounting Association and the Institute of Management Accountants.