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Furor over MBA study by Stanford researchers Stanford study contends MBA degrees overrated

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For many would-be executives and entrepreneurs, an MBA degree is supposed be the ticket to career success. Two researchers at Stanford University's Graduate School of Business are turning that notion on its head.

A master's degree in business administration won't necessarily have the impact students expect, say Professors Jeffrey Pfeffer and Christina Fong. In fact, the researchers contend that America's business schools aren't effective in preparing students for the real world of business.

Their article, "The End of Business Schools? Less Success Than Meets the Eye" debates the core value of finance education.

"It's asking the question, as you always should of any industry, 'How well is it doing?' " Pfeffer said. "What we tried to do is look at a lot of the research and data that's available on how well business schools are doing their jobs. And they're not doing as well as they could be."

The piece has some in the MBA community crying foul.

Art Kuhn, director of the graduate school of business at San Francisco State University, believes an MBA is still a valuable tool for people who want to stand out from the pack.

"I think you're going to be in a much stronger position to get into upper- level management," he said. "Just the body of knowledge is so vast. There's so much to be learned. I don't think that one can get all of that on the job."

Pfeffer isn't convinced business schools are doing enough to train students to reflect and apply what's learned in the classroom.

What's more, business schools and management-training programs have proliferated, becoming big businesses in and of themselves, Pfeffer said. A top-drawer MBA can cost students \$100,000 or more.

Enrollments at U.S. undergraduate and graduate business programs have increased dramatically since 1995-96, when only 3,200 MBA degrees were awarded,

according to the article, which appears next month in the journal Academy of Management Learning and Education. The number grew to more than 102,000 by the late 1990s. In 2000, there were 341 accredited master's programs in business nationwide.

But the popularity of business education has not made the discipline more valuable or assured the future of such programs, which increasingly inflate grades and rubber-stamp students out the door, the article said.

Business schools rely on outmoded teaching methods and do not afford students an opportunity for practical experience, Pfeffer said in an interview.

They also face competitive challenges from professional service and consulting firms, which are no longer recruiting solely from business schools, he said.

"There are enormous variations of what business schools do," he said. "For the most part, they don't do a good job of providing people with an opportunity to practice what they learn. The Army does it best. You sit in the classroom, and then you go out on maneuvers. But not just maneuvers. You go out with coaches and then get feedback."

Those intimately involved with MBA programs say business schools are doing a fine job of preparing students for their future roles.

Dave Wilson, president of the Graduate Management Admission Council, said Pfeffer's research amounts to a "first-class marketing job."

Average MBA graduates have a starting salary of \$77,000, which is roughly \$27,000 per year more than when they started pursuing a business degree, Wilson said. He said that students who enter an MBA program are prepared to invest the intellectual, financial and emotional capital to go the distance, and companies are willing to reward that.

"The hard data is really clear that companies, which are the only objective measure we have, are paying more for MBAs," said Wilson. "The people who are hiring believe there is value, and they're willing to put their money where their mouth is."

Moreover, students are gaining the skills they need to compete in the real world of business, Wilson said.

"What's exciting is that you give an exciting case study to 85 motivated people, and you get out of the way," he said. "They learn as much as they can from each other as they do in the classroom."

Stanford Business School's Senior Associate Dean for Academic Affairs David Kreps, however, acknowledged that the research may have a valuable message.

"We are going to continue to pay attention to articles like Pfeffer and Fong and see how we can improve," he said.

Cindy Carey, a recent graduate of Northwestern's Kellogg School of Business,

said it's difficult to say what the ultimate payoff will be five to 10 years from now. A former software programmer, Carey enrolled in MBA school two years ago because she wanted a new career in marketing and management.

Those in previous classes have gone on to become senior vice presidents and managing directors of investment banks.

"To say that it's necessary for everyone . . . I can't say that," she said. "It's case by case. I have friends from undergrad who are doing well without one. But I think it depends on the person."

The value of a business degree is best measured in relationships, knowledge and challenges, not dollars, said Mark McLanahan, a student in the Wharton West program, the West Coast program for the Wharton School of Business.

"In fact, with some smarts and a bit of luck, \$100,000 can certainly be parlayed into a small fortune without many of the tools taught in the hallowed halls of B school," he said. "So what do I get for my \$100K? I get to challenge the very core of my intellect as well as my personality. I get to learn and enhance my knowledge, skills, and contacts on many planes."

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