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Opinions differ on the value added by graduate degrees

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Opinion is divided on the true financial value of an MBA. To long-termers in large corporations watching graduates, armed with no more than a sharp suit and an MBA, catapult over them into senior executive positions can be a bitter experience.

But for a few MBA graduates, still searching for professional advancement following long years of investment - both financial and personal - in what is supposed to be the Holy Grail of business management and career development, the result can be soul-destroying.

Yet for the majority of those doing an MBA, the satisfaction ratings are high. The only down side is that if a salary increase is your main motivator, you may be disappointed. The 2006 Global MBA Graduate Survey by the United States Graduate Management Admission Council showed that 63 per cent of MBA alumni described the value of their degree as "outstanding or excellent", while 29 per cent defined it as "good". The main criterion for judgment was relating the cost of their degree to the quality of education it provided.

In another long-term study, Harvard Business School alumnus Adam Richman started a project, just before graduating in 1996, in which he tracked the progress of a core group of fellow MBA graduates right up to 2026.

Altogether, some 140 students were surveyed. At their 10-year reunion in 2006, they were asked how they defined success. The responses were largely identical to previous years: first came personal satisfaction or "balance"; next was the respect of their peers; then followed the attainment of CEO or CFO status at a significant company. And last came salaries. Globally, research suggests that the annual volume of MBA graduates has increased at least 500 to 600 per cent over the past 30 years, yet this seems to be only partially reflected at the very top level of corporate management. A 2006 study by the Lubin School of Business at Pace University in the United States surveyed 482 companies listed on the New York Stock Exchange. Only 162 of them had CEOs with graduate degrees in business. And, of those, the ones who went to more prestigious schools fared no better than those who graduated elsewhere. There was no measurable relationship - linear or otherwise - between the accession to CEO status and the attainment of the graduate qualification.

Yet conversely the same author, Aron A. Gottesman of Pace University, observed in a 2006 study that mutual fund managers with MBAs from BusinessWeek's 30 top-ranked business schools outperformed other mutual fund managers. Professor Gottesman found no simple rationale for this phenomenon either.

"One possibility is that at higher-quality schools they simply teach better technical skills," he suggested. "Or students at top-tier schools have a higher I.Q."

One thing does seem clear. The notion that a postgraduate business management degree will provide a pass-key to a world of instantly higher salaries, greater opportunities and superior privileges has been consigned to the past.

Companies today are less likely to sponsor employees for their MBA, and most part-time MBAs are self-financed. Many students don't even tell their employers that they are studying, afraid this may jeopardise an opportunity to move on elsewhere.

As for the schools and faculties that offer graduate degrees, they make no promises of instant financial reward. Rather, they focus on the broadening of skills and development of far greater opportunities for personal expression.

At a time when many of the most fundamental precepts of success and performance in businesses are being questioned, perhaps that is the best added value that an MBA can offer.

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