

MBA's will be in more demand than ever

Tuck dean says current economic crisis stems from a lack of understanding of business models

Many people argue that the recent global economic crisis, triggered by the failure of Lehman Brothers, means the demise of the MBA and business schools at large. They insist that the elitist holders of the master of business administration degree at government regulatory organs and financial institutions, particularly in banks, are responsible for the crisis in that they could not suppress their greed.

However, Paul Danos, dean at Dartmouth College's Tuck School of Business in the United States, argues that the problem is not so simple or easy to rectify.

"Obviously, there are MBA holders among those who run banks such as CEOs and board members, but there are also economists and lawyers on the government and regulatory side. The blame rests with both sides — government regulators who did not recognize or reduce the risks taken by the banks and the banking leaders who made decisions to create the highly risky situations in the first place."

He attributes the crisis to a combination of factors, which include greed in the form of some of the compensation schemes, lack of ethics, ineffective regulations and ill-advised political motivations.

"But the bottom line is a lack of complete understanding of the business model, especially in terms of the risks involved. Indeed, the contemporary banking and finance system has gone global so fast and become so complex that the risk models of the past could not cope. The responsible parties should have had the courage to admit that they could not understand the models and they should have put a

stop to the practices that were not fully understood," he said.

He did not forget to add that 95 percent of what MBA programs teach has nothing to do with the specifics that caused the banking risks.

"We focus the programs primarily on the best practices in production, efficiency, investments, finance and human relations. The actual running of an investment bank is not directly covered and the risk models in use at the banks were not what was emphasized."

Danos made these remarks during recent discussions in Tokyo with Hirokazu Kono, dean of Keio Business School, the Graduate School of Business Administration, Keio University, and an interview with *The Japan Times*.

Both business schools are in a partnership that allows student exchanges in which their students study on the campus of the other school for several months. Keio Business School is in a similar agreement with 28 other business schools overseas.

As the dean of the oldest U.S. graduate school of business, which has turned out numerous successful MBA holders since its foundation in 1900, Danos did say that business education must bear some of the blame for the crisis.

"I don't say the MBA is exonerated from all blame. We are partially responsible, especially for not covering sufficiently the limitations of some of the models that are supposed to measure risks."

Danos said that at Tuck various changes to the core curriculum had been implemented for some years before the current crisis occurred, especially in the aftermath of the

Enron fiasco.

Reforms included more focus on business ethics, social responsibility, good corporate citizenship, leadership and corporate governance, according to the dean.

"One major lesson of this crisis is that we must dive deeper into the assumptions of models used in business. We must reduce overconfidence and increase healthy skepticism through deep and small-scale courses," Danos said.

"The right attitude must be based on critical analysis and

an openness to criticism," he stressed.

Asked about the impact of globalization on the MBA, Danos said that business is a unifying force in the world and globalization and increased competition help to prod business schools to innovate.

"We don't teach the U.S. system as providing the best business models. We teach whatever our research tells us are the best business practices, which may be British marketing or Japanese manufacturing processes. Our faculty

searches out the best business practices and we don't judge in terms of nationality but in terms of valid research methods," he said.

Sooner or later, China will become the world's largest economy with the U.S. and Japan being overtaken in size.

"In this era of globalization, the ranking of countries in size does not matter as much as the overall growth in our integrated economies," he said. "We see the world becoming more and more integrated with convergence of

the best business practices. One example of this convergence is the movement toward the probable adoption of universal accounting rules on a global scale," Danos said.

This is why the best MBA programs will be in more demand as large and complex companies need people who understand best business practices and who can communicate those practices throughout their entire enterprises, which in many cases will be worldwide, according to Danos.



Paul Danos, dean of Dartmouth College's Tuck School of Business YOKO KITA



Right: Paul Danos, dean of Dartmouth College's Tuck School of Business
Left: Hirokazu Kono, dean of Keio Business School