

The **Best** Business Education Ever

Today's business schools are under fire, but what critics do not seem to realize is just how good 21st-century management education has become.

by **R. Glenn Hubbard**

Today's business schools are better than they have ever been. So when I became dean of the Columbia Business School, I was surprised to learn that many people were questioning the value of the university-based business school and even of business education itself. I had thought—naïvely—that it was fairly obvious.

The fact that it is not obvious to everyone is made clear in an interview by *The Financial Times* with Anita Roddick, entrepreneur *par excellence* and founder of The Body Shop. In the article, Roddick is quoted as saying that she often gets asked to talk about entrepreneurship, but she is not convinced it is a subject that can be taught: “How do you teach obsession—because often it is obsession that drives an entrepreneur’s vision?” She goes on to say, “The problem with business schools is that they are controlled by, and obsessed with, the status quo. They encourage you deeper into the world as it is. They transform you into a better example of the corporate man.”

There is a ring of truth to her criticisms. The post-war MBA degree was designed to mint managers for large organizations. Business schools prepared mostly men to snap into well-defined positions with well-defined sets of expectations in Fortune 500 corporations. Since that time, our goal has been to balance theory and practice while we reduced the science of management to a set of identifiable principles. But as sweeping changes in the corporate world have ripped away the comfort and security of management jobs, so too have they demolished any sense of complacency that once might have existed in the business school.

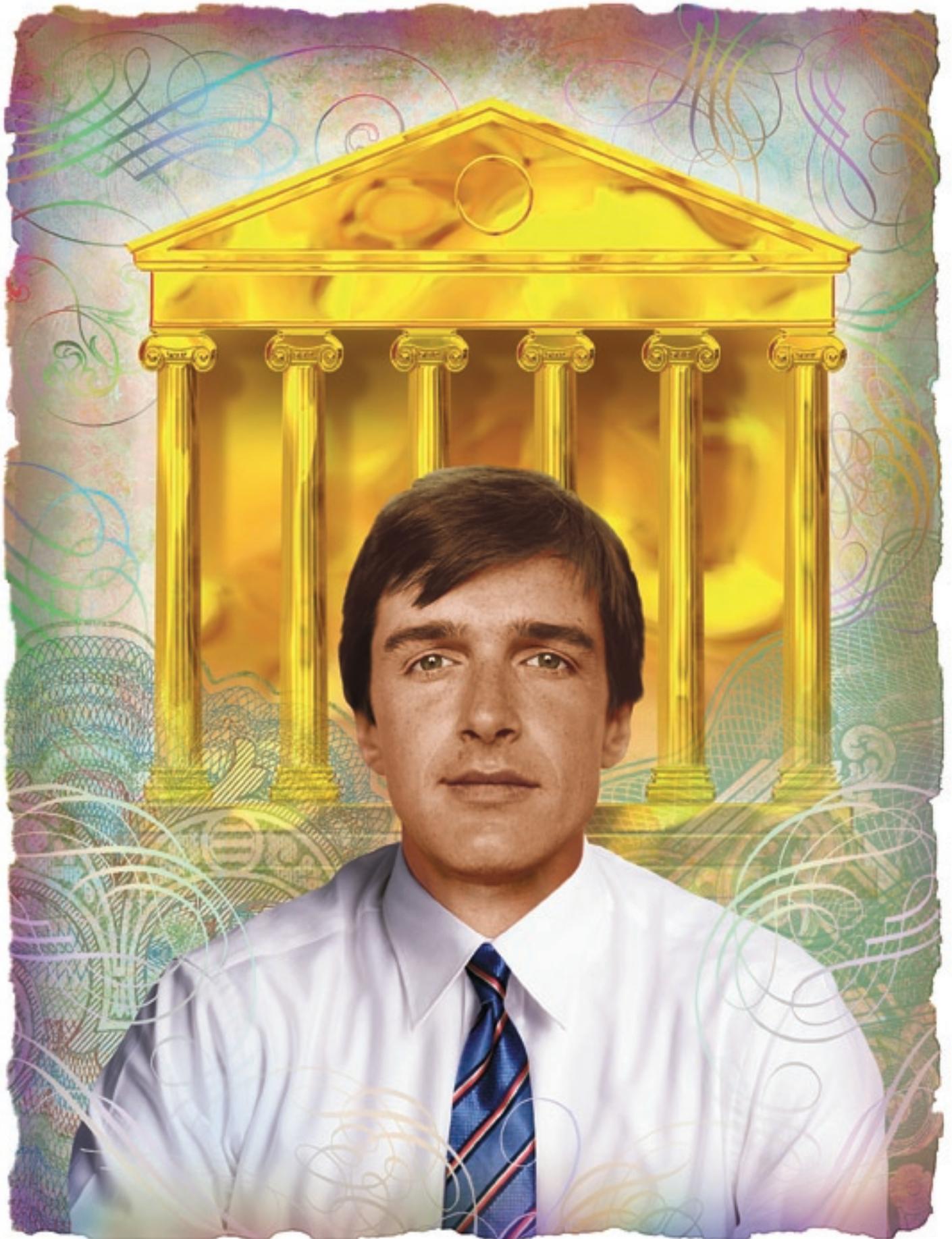
Business education has evolved dramatically to meet the needs of the rapidly changing business climate, and today's business schools are better than they have ever been. We are preparing students for the modern business world—by teaching them how to understand the global market, how to bring an entrepreneurial spirit to every enterprise, and even how to think. We should be celebrating our success, not fending off critics.

Roddick's comments expose what might be the real shortcoming of business schools today: our failure to communicate how well our programs have adapted and advanced over the past 20 years, and particularly over the past five years. I believe management educators should drown out the critics by raising their voices to share all the ways in which management education has become so vital and energized in the past two decades.

The New Face of Business

Business today is widely decentralized, fiercely entrepreneurial, and relentlessly global. So is today's business education.

It is decentralized: Today's business school trains graduates to work in a decentralized organization where responsibilities come with the need to solve a problem, not with the need to protect turf and title. Business leaders cannot just set an unchanging goal and then labor to achieve it. Rather, leaders will have to be agile seekers looking for many different ways to identify and capture opportunity. Great business schools *focus* these seekers of opportunity by teaching them to think strategically and



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to value opportunity. Business schools' connection between research and industry offers precisely the right classroom.

make consequential decisions, and even working to start their own small companies. Today's business school no longer relies on merely teaching students a set of functional silo skills in marketing, finance, and management. Today's school strives to immerse students in the complex world of real business.

It is entrepreneurial: MBA education prepares students for the possibilities of a wide range of careers by training them to be entrepreneurially minded. Twenty-first-century business curricula do not merely include entrepreneurship; they *require* it. Our students learn entrepreneurial creation in new ventures, in large organizations, in private equity financing, and in social entrepreneurship. They work in labs, consulting with faculty members, venture capitalists, and successful entrepreneurs. They develop business plans, build financial models, and structure deals in entrepreneurial finance. The entrepreneurship skills they learn will aid them whether they take jobs with new ventures or with Fortune 500 companies.

It is global: Of necessity, 21st century business education is rooted in international realities, with mental geography that spans from New York to São Paulo, from London to Mumbai, from Johannesburg to Shanghai. That emphasis is unmistakable, as business education from the undergraduate to the executive level increasingly incorporates international travel into its degrees. Once they are armed with a management degree, business school graduates should be able to join a startup in Silicon Valley, found their own companies in New Delhi, or take jobs with AT&T in San Antonio because their education has prepared them to do business anywhere on the planet.

Learning Through Experience

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Julius Caesar—a man who had his own failings as a manager—had one of the best educations a classical world could provide. And yet, he said, “It is better to create than to learn. Creating is the essence of life.” I believe these words tell us a great deal about what we are trying to do with the 21st-century MBA. For all its ardor and certitude, his statement contains within it many rich questions. Is it not necessary to learn before one can create? Is not creating the ultimate form of knowing? And above all, is not learning itself best done in the act of creation?

Increasingly, a business degree can only be earned once students have spent some time *creating*—helping real businesses launch initiatives, advising business owners as they

Anita Roddick is right—you cannot impart obsession in the classroom. But you *can* sharpen skills and encourage people to think entrepreneurially, provided that part of the instruction process revolves around creating.

Leaders and Geniuses

Like obsession, leadership is a characteristic that might be difficult to impart in a classroom—but students can be taught to think like leaders. Take intuition, which is a key attribute of leadership. Professors sometimes illustrate intuition by telling the story of Archimedes and how he discovered the way to determine the volume of irregularly shaped objects. When the great scientist eased himself into a full bath and the water overflowed, he had the “Aha!” insight that led to the method of measuring an item's volume by water displacement.

Many believe that this sort of genius must be inborn, but I disagree. Two important factors helped prepare Archimedes for his momentous bath. Like Julius Caesar, Archimedes had benefited from an excellent education at an institution that provided a balance of mental discipline, critical thinking, and openness to opportunity. Moreover, he thought obsessively about his problem; no doubt it was kicking around his subconscious as he lowered himself into an overfull tub. When water splashed out onto the floor, he was mentally prepared to connect an innocuous spill with what became his breakthrough discovery.

This story offers an implicit lesson for business education. Management educators do not expect students to graduate from business school and walk into a job that immediately asks them to draw upon every skill they acquired or refined in our programs. What we can anticipate, however, is that all of our students will someday face a complicated and challenging decision. If we have done our jobs right, we will have taught them how to deliberate and how to ponder. We will have taught them to be open to fresh insights that are more than the sum of their business courses and experiences. We will have taught them how to *think*, and the sum total of their education and experience will lead them to a decision that would have been otherwise unattainable.

Proving the Point

As management educators, we *know* we are helping students meet the challenges of doing business in the 21st century. What we must communicate to the outside world is proof of the substance behind our claims.

One form of proof comes from the Graduate Management Admission Council, whose researchers recently surveyed thousands of graduates. They found that ten-year annualized average return on investment for MBA students ranged from 12 percent to 20 percent.

But ROI isn't the whole story. Other concrete, measurable benefits of business education have been studied by academic researchers. As far back as the early 1960s, a small group of economic historians, including Alfred D. Chandler Jr. and David Landes of Harvard University, pointed to professional management as a key factor in the rise of U.S. industry relative to that in France or the United Kingdom in the early 20th century. Also during the last half of the 20th century, business schools worked to identify the sources and examples of high-quality management practices, while consulting firms conducted *de facto* "on-the-ground" experiments implementing particular management innovations.

More recently, academic researchers have gathered evidence that a grounding in management education can contribute to a company's productivity. Economists Nick Bloom of Stanford University and John Van Reenen of the London School of Economics found that in a knowledge-intensive economy, firms with better practices for process techniques, goal setting, performance evaluation, and human resource management exhibit generally better performance. Their research further suggests that variation in *management quality* explains many of the differences in productivity at the firm level. Such a striking correlation between management qual-

ity and productivity emphasizes how important it is to develop management practices, choose which practices to implement, and groom managerial talent to execute them. All these concepts are taught in our business education programs.

More evidence of the value of an MBA is provided by individuals who have used their degrees to effect real change in the business world. These individuals have recognized and seized opportunity—which is a core component of entrepreneurship and business training.

Tom Stemberg, who received an MBA from Harvard in 1973, opened the first Staples store in Brighton, Massachusetts, in 1986; today the company is the world's leading seller of office products. Jack Creighton, who earned an MBA from the University of Miami in 1966, led three Fortune 500 companies during his career. At the age of 73, he decided to lend his expertise to Intrepid Learning Solutions, described by *The Seattle Times* as being "on the frontlines of a silent revolution in the way companies train employees."

And then there is the incomparable Warren Buffett, who earned his degree from Columbia Business School in 1951. He learned value investing techniques from then-faculty members Benjamin Graham and David Dodd, and he has since taken his place among the greatest business thinkers—and philanthropists—of our time.

It is also important to remember that three-quarters of the top 25 venture capitalists on the *Forbes* Midas list have MBAs. The degree has had a huge impact on these leaders who direct R&D in high-tech, biotech, and other "breeder" industries that give birth to whole new sectors of business and commerce.

Finally, remember that, worldwide, more than half a million MBA degrees were awarded in the last five years alone. It is not too much to expect that those young graduates will rely on their business educations to help them change the world.

A Social Conscience

One of the issues that today's graduate will be thinking about is the role of business in society. What might differentiate 21st-century management education most from its 20th-century past is the conviction that business not only has an obligation to promote social development, but that business itself *is* social development. The 21st-century business school graduate is interested in eradicating poverty through the most powerful foreign aid programs ever devised: investment and entrepreneurship.

At Columbia, many of our students have taken the lead in finding equity capital to support small businesses in the developing world. One recent graduate, Ben Powell, has started the Agora Fund, a new kind of NGO that serves as

an incubator by investing in small and medium-sized socially responsible businesses in Latin America. Organizations like the Agora Fund seed developing economies with powerful little engines of growth; they represent the best and truest form of economic aid for the 21st century. This is just one example among many of how business schools have succeeded in teaching graduates to apply entrepreneurial business principles to social ventures.

Today's management educators believe business is a social good, without which nothing else would be possible. We know that the business school graduates of this century are going to be a powerful force in driving investment, knowledge, and rising standards of living in the developing world. As the dean of a school whose graduates do exception-

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ally well by material standards, I can say without sounding defensive that what matters most to us after our students graduate is not the change jingling in their pockets, but the change they make in the world.

Speaking Up

As these few examples clearly show, business education has moved gradually but steadily away from the dry case studies and war-story pedagogy with which our critics find fault. To keep up with the needs of the business world, we have undertaken the hard and ongoing work of change.

We weave active, project-based learning throughout our programs—preparing people by having them *do*, *decide*, and *create*. We teach creativity and intuition alongside quantitative and analytical skills, and we give students real-world experience that will guide them throughout their careers. We also show them how business can be a force for good

in the world. While we still might not be able to teach “obsession” in the classroom, we can teach the right mix of skills and experiences so that when opportunity arises, our graduates are prepared. I believe that now, more than ever, a business education is the best tool for any and all young business leaders.

Despite the things that business schools have done right, we are faced with one glaring omission. We have not told our story. We have not undertaken the comparatively easy task of letting the business world, the business press, and even our own alumni see how we have embraced a new curriculum for a new century. It is time to silence the critics by offering them a better understanding of just how good today’s business education really is. [Z](#)

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Developing the Analytical Mind

Most business school faculty are dedicated to the idea of teaching students how to think through any problem that might arise in their careers. While any other business school could provide its own examples, I want to share the stories of three Columbia Business School professors and how they help students learn to analyze business situations.

■ Amar Bhidé designs his class, Introduction to Venturing, in such a way that he is not just teaching theory; he is emphasizing the moral challenges that people face as they develop their own worldviews. He says, “I think what is distinctive about the course is that the unit of analysis is the individual rather than some abstract right answer. I teach students to ask, ‘When I confront a new situation, how do I draw from my library of previous observations to find a rule that I can apply to the current situation?’”

■ William Duggan combines military history, psychology, and neuroscience to teach strategic intuition. He refers to Napoleon’s *coup d’oeil*, the quick glance with which the general would instantly assess a challenge on the battlefield. Such an ability may seem inherently unteachable—again, an inborn trait of a genius. In fact, Duggan believes that people can be *taught* to use all their learning and intuition to instantly size up all sorts of problems.

■ Michael Morris runs Columbia’s Program in Social

Intelligence, which trains students not only in quantitative skills such as value analysis, operations management, and managerial statistics, but also in the softer skills of management and interpersonal interaction. The concept of “social intelligence” was actually born on the Columbia campus. Psychologist Edward Thorndike first coined the term in 1920 when he noted that “the best mechanic in a factory may fail as a foreman for lack of social intelligence.” Since then, much research has validated the theory. Management studies show that a team’s success or a product’s appeal to consumers can rest on whether people believe they have received fair treatment, a concept that varies greatly across cultures.

The fast, decentralized nature of modern firms means that social intelligence is required in a manager’s career from the outset. The importance of social intelligence is especially evident in relationship-based professions like investment banking and in business communities made diverse by waves of immigration. Like Thorndike’s factory foreman, young managers will succeed or fail to the degree that they are able to motivate, empower, and lead colleagues around the globe.

Like intuition, social intelligence is an ability that some people believe cannot be taught. At Columbia, we do not—and could not—teach it out of a book, but teach it we do. Our Program on Social Intelligence fully embraces the “learn by doing” approach, combining empirical assessment, experiential learning, and executive coaching to help students sharpen their self-awareness, judgment, and decision making to create thoughtful leaders of tomorrow’s business.