Economic Factors of Creation MBA Program: Main Characteristics, Mission and Strategy (Case Study: USA)

Abstract: In this study we will examine the history of MBA program in the United States of America. Authors shall analyze the objectives of creating this kind of programs, the mission of the MBA program, the effect of tuition rate changes, the changing curriculum of the MBA program, the admission process in different universities and the varying forms and lengths of education. The main purpose of this paper is to understand why MBA program became so popular and sought after in the USA and in the world.

Keywords: Economics, MBA, USA, Education, Tuition, Admission, History

Introduction

The MBA program has evolved from relatively humble beginnings around the turn of the 20th century to be the most popular postgraduate academic program in the United States. It has also expanded tremendously in academic institutions around the world. At the same time, it has been frequently criticized on a variety of fronts and this criticism has increased along with the popularity of the program. Some of these criticisms are conceptual, asking what the purpose of an MBA program is and what students are meant to gain from it. Others focus on the results of these promises and whether the curricula actually succeeds in better preparing students for the business world. These criticisms have grown especially urgent as the MBA program has been adapted to foreign countries. Finally, still others question the practical problems faced by MBA programs in the past and today, including its rapid expansion around the world, the high tuition rates, the admission process and the preservation of academic quality and relevance. Yet even in the face of all of these criticisms, the MBA program is only becoming more entrenched and sought after worldwide.

This paper offers an analysis of the history and character of the MBA program to address this seeming contradiction. It asks, does the MBA have a purpose other than to educate? Furthermore, if its primary purpose is not to educate, then what has happened to the curriculum? It finds that not only has the MBA become an elite symbol in the business world, this process is reinforced by the continued success of world-elite academic programs in recruiting current and future business leaders as students. Consequently, the popularity in America and in the world of the American MBA program can be taken as a sign of the globalized unity of the business world organized around an American conception of what business should be like. The MBA’s primary purpose, then and what makes it so popular is that it serves as a gateway to upper levels of management in international business. While attempts to adapt to new situations and expand its business model have generally submitted to the dominance of the American-style MBA, new reforms of the MBA program and its curriculum are being proposed both in the USA and abroad. These reforms draw from alternative intellectual and philosophical traditions to address the previously mentioned criticisms above, maintaining the core purpose of the MBA and attempting to redirect an increasingly unified business world.

Materials and Methods of Research

The research conducted for this paper involved a literature review covering the history of the MBA program and various aspects of recent reforms. At same time, I reviewed the websites and rankings of top business schools to identify trends characterizing the
mission and popularity of leading MBA programs. 2015 business school rankings were taken from the respected source US News and World Report, which bases its rankings on a variety of factors including post-graduation salary, admissions statistics and faculty profiles. The similarly respected ranking source Bloomberg Business Week historical rankings were also used to offer an analysis of the rankings’ change over time, as they were measured every two years from 2012 to 1996. I analyzed the missions of the MBA programs stated on business school websites from the top 16 ranked schools according to the 2015 US News and World Report rankings.

In general, the articles agree on the history of the MBA program and go from there to analyze attempted methods of reform. “MBA: Past, Present and Future” by J. Duncan Herrington is a representative treatment of the growth of the MBA program. It also makes the point most directly that the market for the traditional MBA is saturated, requiring nontraditional formats such as the Executive MBA program. However, it does not address why the degree became so popular. “AACSB Accredited MBA Programs in the US: What Schools Communicate about Graduate Programs on Their Websites” by Bal et al. (2014) offers a method to answer that question, by analyzing what the schools themselves believe attract students to the program. On the subject of reform, “Teaching History Courses to Harvard MBA Students: Building Enrollment from 21 to 1,300” by Thomas K. McCraw offers a micro-view of how this looks within a curriculum, tracking an effort to improve economic history courses at Harvard Business School and relating it to larger efforts to train more socially conscious MBAs. Meanwhile, “Another Perspective on MBA Program Alignment: An Investigation of Learning Goals” by Costigan and Brink (2015); “Application of best practices in university entrepreneurship education: Designing a new MBA program” by Steven A. Gedeon; and “Using a part-time MBA program to expose graduate students to corporate governance” by Patricia Miller Selvy were chosen as examples of that larger effort within Western academia to reassess the MBA curriculum. They operate from the standard mindset of the MBA, seeking new strategies to promote the same philosophical goal of turning out graduates best able to function in the current economic system, either as corporate managers or as entrepreneurs. “Academic performance in MBA programs: Do prerequisites really matter?” by Christensen et al. (2012) takes a similar approach, but looks at the admissions process for the MBA and how it selects the type of student that it believes will succeed in the business world.

Other writers have approached the issue of changing MBA programs from a different perspective. Unlike the previously mentioned authors, who addressed existing problems within the MBA curricula, articles including “Rethinking executive MBA programs” by Francis Petit and “Still a must-have: MBAs remain surprisingly popular, despite the headwinds” published in The Economist pay more attention to changing conditions in the business world that are forcing MBA programs to adapt. This analysis is taken internationally by articles including “Delivering MBA programs in Emerging Markets: The Challenge of National Culture” by Stephanie Jones and “Can online MBA programs allow professional working mothers to balance work, family and career? A case study in China” by Mboni Kibelloh and Yukun Bao. Both of these articles address new innovations and adaptations that come from taking the American MBA program abroad and making it relevant to new places and business situations.

Taking this further, “MBA at the cross road: Integrating Western management with Eastern philosophy” by Richard Li-Hua and Lucy Lu and “Eastern University’s MBA program in economic development” by M. Thomas Ridington and Chris Kapp have approached from both a Chinese and an American perspective the idea that the philosophy of the MBA program needs to be changed or re-adapted. As it is, the pedagogy of the MBA program is heavily influenced by a particular western intellectual capitalist tradition founded in America and these authors have sought to bring a regulating influence from outside. In the case of Li-Hua and Lu, the outside influence is Chinese philosophy and in the case of Ridington and Kapp, the outside influence is a Western evangelical Christian tradition. These two articles demonstrate possible future variations that the American MBA programs could take.

These articles were selected from a larger pool of research and writing on MBAs to provide background on the various realms of criticism of the MBA degree, while also providing information on the history and worldwide expansion and development of the program. China is aggressively expanding its MBA programs while negotiating a very large difference in business culture between it and the west, therefore it provides good case studies to see how changing the MBA program is approached, rather than capturing all of the innovations being done to the MBA program worldwide. Synthesizing an analysis of these sources will give a fuller picture of the state of the MBA program and how its popularity is impacting its success, both for the better and for the worst.

Results

Review of the History of the MBA Program

The first graduate business school in the United States of America was the Tuck School of Business at Dartmouth College, founded in 1900, but the modern
MBA program was shaped during the founding of Harvard Business School in 1908. It was based on Frederick Winslow Taylor’s principles of management and these would form the basic curriculum that would guide both the USA programs and programs exported by the United States before the Second World War (Li-Hua and Lu, 2013). Mid-career programs quickly followed at institutions such as the MIT Sloan School of Business and University of Chicago Booth School of Business. At this point it was a specifically American academic field- the MBA being granted in the United Kingdom did not take place until fifty years after the USA, in 1960 (Li-Hua and Lu, 2013).

The MBA program was relatively unpopular and criticized as essentially vocational training for the first 40 years of its existence (Li-Hua and Lu, 2013). The program would become significantly more popular starting in the 1950s, in the wake of the Second World War. This also coincided with a growing awareness of the need for training in international business, showing the program’s concern with high-level business. The University of Chicago Booth School of Business was the first school to open campuses on multiple continents and the Thunderbird School of Global Management, which claims to offer the first MBA focused in international business, began conferring degrees in 1946. Between the 1950 and 1970s, MBA degrees conferred each year expanded from 4,335 in 1949 to over 40,000 per year and the total number of MBA programs reached 500 (Li-Hua and Lu, 2013). However, criticism did not stop. The Ford Foundation released a well-known report in the 1950s that dismissed the degree as “weak and irrelevant” (The Economist, 2015). Pushed by the large promises of the MBA program, criticism over the years has focused on the failures of MBA graduates, particularly of elite schools, either in their skills as new graduates, or in their roles in the collapse of large firms such as Enron or Lehman Brothers (The Economist, 2015).

While in many ways the MBA program has maintained relatively standard core focuses such as corporate strategy, case studies, marketing, etc., tailoring MBA programs to both the specific needs of students and the business world has quite a long history in the USA. For example, the Executive MBA program was introduced in 1943 through the University of Chicago (Petit, 2011). It quickly made additional education for executives be seen as a vital part of business development. Executive MBA programs, which are designed for full-time working managers, are present worldwide. In some key areas, the development of this particular program highlights issues faced by more general MBA programs in the course of their history. The Executive MBA was once meant for executives who were sponsored by their employers, which allowed it to charge expensive tuition (Petit, 2011). In 2010, only 30% of Executive MBA students were fully sponsored, as compared to 35% in 2006 and 44% in 2011. Current concerns about cost structure reflect the larger concerns about the cost of MBA degrees both in the USA and abroad.

It is this, then, that has led to the current somewhat contradictory position for MBAs in the world. In 2014, 688,000 people took the GMAT, the unofficial entrance exam for entering an MBA program. While this is down from 745,000 GMAT examinees in 2008, the MBA is still the most popular postgraduate discipline, with 192,000 conferred in the USA in 2012 (The Economist, 2015). MBA graduates are still generally in demand, with 89% finding a job within 3 months of graduation and a median basic salary of nearly 100,000 USD in 2014 (The Economist, 2015). However, the huge rise in MBA programs, a diversity in degrees offered and the huge expansion abroad, particularly in China, has affected the viability of many lower-tier business schools in the USA and UK. Of programs that charge less than 40,000 USD per year, most reported that application numbers had stayed flat or declined in 2015 compared to 2014 (The Economist, 2015). Because growth now is limited mostly to elite Western programs and programs in the developing world, the MBA degree can be said to have progressed in history from a maligned degree seen mostly as vocational to an entry qualification to the elite of global business.

Analysis of the Objectives and Mission of the MBA Program

The central mission of a business school is to prepare its students to succeed in the job market (Costigan and Brink, 2015). Analyzing the way that this mission of the MBA program has been carried out in history can generally be done through the lens of cycles of innovation and conformity. The first MBA programs were experimental and went against the established ideas that business had to be learned on the job. The industrial revolution had created such large businesses that this was no longer seen as viable and academic approaches to business and management were sought as early as 1881, with the establishment of the Wharton School of Business (Li-Hua and Lu, 2013). The promises of the MBA program, that it would increase managerial competence and improve career advancement, have been largely consistent since then (Christensen et al., 2012). However, the relatively low popularity of the MBA for years after it was introduced meant that developing an MBA pedagogy that encourages innovation was especially necessary (Li-Hua and Lu, 2013).

As business schools sought to create a better pedagogy, however, they settled on promoting or education on aspects of managerial competence that are of limited value today (Costigan and Brink, 2015). This
is especially true today, as universities attempt to recreate MBA curricula in non-western contexts, in spite of the way that their assumptions and values about business reflect specifically western ideas (Li-Hua and Lu, 2013). Increased internationalization has made this untenable and a great deal of effort has been put into reforming business school curricula abroad. This has led to a standardization of the objectives of the MBA program over time around a few themes (Herrington, 2010). Stated missions of top business schools consistently are that they “develop leaders”, as seen from the mission statements taken from the following Business School’s MBA program homepages, arranged by 2015 rankings from US News and World Report (USNWR, 2015).

Several interesting trends emerge from the data in Table 1. As mentioned, eleven of the top sixteen schools directly mention the words “lead”, “leadership” or “leaders” in their mission on their MBA program website. The statement is clear that these schools are selling the MBA program as a way to become top management in a company. There are some variations, however. Three of the top five schools, do not have leadership directly stated, focusing instead on innovation. In fact, six of the top sixteen schools make transformation of the business world part of their mission, but they are not distributed evenly: five of the top seven schools make this their emphasis.

In the lower half of the rankings, only Cornell University, ranked 16, mentions “transform” or a similar concept as part of their mission. On the other hand, six schools mention creating value—either economic or in knowledge - as part of their hopes for their graduates and five of the six are between ranks 8-16, with none in the top five. The top three schools are alone in specifically mentioning their expectation for their students to be global leaders, while other schools, such as University of Virginia or University of California-Los Angeles, claim only to offer a world-class education. What can be drawn from this is the top tier of business schools is further stratified into a top tier of a top tier and those elite schools feel able to stress their contributions to world-changing innovations as a draw for business students, while the next tier stresses productivity in the current business world on a more understated scale.

### Table 1. Missions and objectives of top American MBA programs

| 2015 Ranking (US News and World Report, 2015) | University                  | Mission/Objectives                                                                 |
|-----------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------|
| 1.                                            | Stanford University         | Change lives. Change organizations. Change the world (SGSB, 2015)                  |
| 2.                                            | Harvard Business School     | What difference will you make in the world? (HBS, 2015)                             |
| 3.                                            | University of Pennsylvania (Wharton) | Giving you the confidence and skills to lead anywhere in the world (WSB, 2015) |
| 4.                                            | University of Chicago (Booth) | To take the lead in solving problems - by challenging conventional wisdom, generating new insights and uncovering compelling evidence (BSB, 2015) |
| 5.                                            | Massachusetts Institute of Technology (Sloan) | Creating ideas that change practice (SSM, 2015)                                      |
| 6.                                            | Northwestern University (Kellogg) | Our Full-Time MBA Program develops leaders who can ignite and inspire lasting growth (KSM, 2015) |
| 7.                                            | University of California-Berkeley (Haas) | To develop leaders who redefine how we do business. (HSB, 2015)                    |
| 8.                                            | Columbia University         | Prepare to make an impact. At Columbia, at the very center of business, you’ll learn to respond dynamically to any challenge. You’ll gain the skills you need to succeed in a fast-moving, competitive business environment and see how to create opportunities where they once seemed impossible. (CBS, 2015) |
| 9.                                            | Dartmouth College (Tuck)    | To provide the world’s best educational preparation for a career of business leadership and to have a faculty of acknowledged thought leaders who are outstanding teachers (TSB, 2015) |
| 10.                                           | University of Virginia (Darden) | The Darden School improves the world by developing and inspiring responsible leaders and by advancing knowledge (DSB, 2015) |
| 11.                                           | New York University (Stern)  | To develop people and ideas that create value for business and society (SSB, 2015) |
| 12.                                           | University of Michigan-Ann Arbor (Ross) | When you think of the University of Michigan and the Ross School of Business, you think of leaders. Excellence in leadership development is our heritage as well as our commitment for the present and the future (RSB, 2015) |
| 13.                                           | Duke University (Fuqua)     | We educate leaders of consequence-people with competence, character and purpose-who choose to create, rather than extract, value. Our community is based on the principles of supportive ambition, authentic engagement and collective diversity (FSB, 2015) |
| 14.                                           | Yale University             | Educating leaders for business and society (YSM, 2015)                               |
| 15.                                           | University of California-Los Angeles (Anderson) | To be a global leader in management education, research and service (ASM, 2015) |
| 16.                                           | Cornell University (Johnson) | • Develop business leaders who create, transform and sustain successful organizations-our MBA graduates  
• Create research and new knowledge that shapes the future practice of management-our faculty (JGSM, 2015) |
This lower tier can be said to represent the missions of most MBA programs in the USA, functioning as reinforcements of traditional western MBA ideas of what an ideal economy looks like where the graduates should thrive. In a situation where finding qualified teachers for new environments, preparing new curricula, cross-cultural issues and other factors make launching an MBA program in an emerging market difficult, curricula rely on new cases and considerations of other cultures that are nevertheless standardized and sent from a central location. In other words, the objectives of different MBA programs have changed, but deep philosophy has yet to catch up and MBA programs in effect socially engineer standardized business climates in local areas.

An example of this current stasis relates to business ethics. The growing prominence of MBA degrees and their focus on using non-traditional or non-Western techniques to reach the ideal outcomes of a Western business philosophy has prompted new considerations about the ethics of specific objectives of the MBA program. In part because of the failures of many large companies that were run poorly where MBA holders played prominent roles, ethics and good corporate governance education has begun to be called for in the MBA (Selvy, 2013). Courses on business ethics have long been a part of the curricula of many large companies that were run poorly where MBA holders played prominent roles, ethics and good corporate governance education has begun to be called for in the MBA (Selvy, 2013). Promoting responsible business practices and leadership in business ethics is therefore an important alteration to the mission of an MBA program. Some schools have turned directly to religious philosophy to provide a new ethic for business, such as the Evangelical Christian Eastern University (Ridington and Kapp, 2009). Other forms of social entrepreneurship MBAs and even more traditionally focused entrepreneurial MBAs have made the social effect of the businessman a more deliberately considered part of their mission.

Analysis of Business School Rankings

While the explosion of business school programs worldwide has made life difficult for lower-ranked business schools, top business schools are still extremely competitive and have more qualified applicants than there are spaces (The Economist, 2015). Rankings of top Business Schools are still dominated by schools from the United States (with the exception of top European schools such as the London Business School and INSEAD), such as Harvard, Chicago, Michigan and Stanford. Within the US, US News and World Report is arguably the oldest of the major MBA rankers. They are one of the most subjective rankings, taking 25% of their score from peer assessment by business school deans and directors (Symonds, 2013) (Table 2).

They also are very consistent in their top rankings. Harvard Business School has been first 14 times and Stanford GSB has been number one 15 times. The top five schools in 1990, Harvard, Stanford, MIT Sloan, Kellogg and Wharton are still top five and none have been ranked lower than sixth (Symonds, 2013).

This consistency is not as pronounced in the rankings below, but the tiers of elite and super-elite schools are visible. Super elite schools charge more, with 8 of the top 11 schools charging more than $60,000 per year and none of the school’s 12-20 charging as much. The elite schools above super-elite are not cheap, however, with only the public universities in Texas and North Carolina charging tuition less than $50,000 per year.

It should be noted that schools in the developing world are starting to crack the rankings, particularly in Asia (The Economist, 2015). Other rankings are released by a variety of media sources, including Bloomberg BusinessWeek, Financial Times and The Princeton Review. All rankings are incredibly diversified, breaking down schools by best value, international focus, range of programs, student demographics, alumni connections and more. Different ranking systems have particular areas that they value more highly, leading to relative consistency within their historical rankings even as they differ somewhat from each other. Higher-ranked schools are able to charge a premium tuition and attract more students, leading over time to a wider gap between them and lower-ranked schools (The Economist, 2015). What is revealed is that there is remarkable continuity in the top-ranked programs over time.

The rankings above are from Bloomberg BusinessWeek, but differ only slightly from those of US News and Report, showing two schools advancing into the top 20 between 2012 and 2015- Yale University and Washington University in St. Louis (Olin), replacing the University of Notre Dame (Mendoza) and University of Indiana (Kelley). Comparing the BusinessWeek data between 1996 and 2012, the top 14 schools have not been outside of the top 20 in the entire data set and only one of top 18 schools have been outside of the top 20. Only one, University of Notre Dame (Mendoza), has been outside of the top 30, however, it has been ranked in the top 30 since 2002. Year by year, only 22/157 or 14% of rankings shifted by 5 or more places. The stability of the rankings of top schools shows the inertia given by prestige and reputation. The
BusinessWeek rankings are typical of the way they have captured and contributed to the tiers of top business schools (Symonds, 2014). Between 1988 and 2012, only three business schools had been ranked number one, only 18 business schools had made the top 10 and Wharton, Kellog and Harvard Business school’s maintained their places in the top five. The Business Week rankings for 2014, meanwhile, showed some significant movement, with Harvard Business School dropping from number two to number eight and Duke’s Fuqua Business School taking the top spot for the first time (Symonds, 2014). As the graph for the historical BusinessWeek rankings shows, however, large temporary shifts are not unheard of and generally go back to the mean within a year or two (Table 3).

### Table 2. 2015 American Business School Rankings, Yearly Tuition and Enrollment

| 2015 Ranking (US News and World Report, 2015) | Best Ranking/ Worst Ranking | Business School | Tuition (Per Year; Full-Time) | Enrollment (Full-Time) |
|---------------------------------------------|-----------------------------|-----------------|-------------------------------|------------------------|
| 1/3                                          | Stanford University         | $61,875          | 825                           |
| 1/5                                          | Harvard University          | $58,875          | 1,867                         |
| 2/5                                          | University of Pennsylvania (Wharton) | $62,424     | 1,711                         |
| 4/9                                          | University of Chicago (Booth) | $61,520          | 1,181                         |
| 1/5                                          | Massachusetts Institute of Technology (Sloan) | $63,454     | 812                          |
| 2/6                                          | Northwestern University (Kellogg) | $61,596          | 1,047                         |
| 7/14                                         | University of California-Berkeley (Hass) | $54,066 (Out-Of-State) | 230                           |
| 3/12                                         | Columbia University         | $63,148          | 1,270                         |
| 6/12                                         | Dartmouth College (Tuck)    | $61,605          | 558                           |
| 9/15                                         | University of Virginia (Darden) | $52,380          | 633                           |
| 9/18                                         | New York University (Stern)  | $60,744          | 798                           |
| 5/14                                         | University of Michigan-An Arbor (Ross) | $54,450 (In-State); 886 |
| 6/14                                         | Duke University (Fuqua)     | $58,000          | 876                           |
| 12/25                                        | Yale University             | $58,975          | 625                           |
| 8/17                                         | University of California-Los Angeles (Anderson) | $51,159 (In-State); 708 |
| 12/20                                        | Cornell University (Johnson) | $58,192          | 585                           |
| 15/24                                        | University of Texas-Austin (McCombs) | $32,298 (In-State); 551 |
| 14/21                                        | University of North Carolina-Chapel Hill (Kenan-Flagler) | $48,832 (Out-Of-State) | 562                           |
| 18/37                                        | Washington University in St. Louis (Olin) | $51,500          | 281                           |
| 13/19                                        | Carnegie Mellon University (Tepper) | $58,300          | 421                           |

### Table 3. Historical Business week rankings of American business schools (Symonds, 2013)

| Business School                              | 2012 | 2010 | 2008 | 2006 | 2004 | 2002 | 2000 | 1998 | 1996 |
|---------------------------------------------|------|------|------|------|------|------|------|------|------|
| University of Chicago (Booth)               | 1    | 1    | 1    | 2    | 2    | 10   | 3    | 8    |      |
| Harvard University                          | 2    | 2    | 2    | 4    | 5    | 3    | 5    | 4    | 5    |
| University of Pennsylvania (Wharton)        | 3    | 4    | 2    | 3    | 5    | 1    | 1    | 1    | 1    |
| Stanford University                         | 4    | 5    | 6    | 6    | 4    | 4    | 11   | 9    | 7    |
| Northwestern University (Kellogg)           | 5    | 4    | 3    | 3    | 1    | 1    | 2    | 3    |      |
| Duke University (Fuqua)                     | 6    | 6    | 8    | 9    | 11   | 9    | 5    | 7    | 11   |
| Cornell University (Johnson)                | 7    | 13   | 11   | 13   | 7    | 11   | 8    | 8    | 18   |
| University of Michigan - Ann Arbor (Ross)   | 8    | 7    | 5    | 5    | 6    | 8    | 6    | 4    | 2    |
| Massachusetts Institute of Technology (Sloan) | 9    | 10   | 9    | 7    | 9    | 6    | 4    | 15   | 9    |
| University of Virginia (Darden)             | 10   | 11   | 16   | 15   | 12   | 12   | 9    | 11   | 5    |
| Carnegie Mellon University (Tepper)         | 11   | 15   | 19   | 16   | 15   | 19   | 14   | 14   | 17   |
| Dartmouth College (Tuck)                    | 12   | 14   | 12   | 11   | 10   | 16   | 10   | 10   |      |
| Columbia University                         | 13   | 9    | 7    | 10   | 8    | 7    | 6    | 6    |      |
| University of California - Berkeley (Hass)  | 14   | 8    | 10   | 8    | 17   | 13   | 18   | 16   | 13   |
| University of Indiana (Kelley)              | 15   | 19   | 15   | 18   | 18   | 20   | 20   | 21   | 15   |
| New York University (Stern)                 | 16   | 18   | 13   | 14   | 13   | 15   | 13   | 13   | 14   |
| University of North Carolina - Chapel Hill (Kenan-Flagler) | 17   | 16   | 17   | 17   | 16   | 18   | 15   | 19   | 19   |
| University of California - Los Angeles (Anderson) | 18   | 17   | 14   | 12   | 14   | 16   | 12   | 12   | 12   |
| University of Texas - Austin (McCombs)      | 19   | 25   | 21   | 20   | 19   | 21   | 17   | 18   | 20   |
| University of Notre Dame (Mendoza)          | 20   | 24   | 20   | 26   | 24   | 29   | NR   | NR   | NR   |
| Yale University                             | 21   | 21   | 24   | 19   | 22   | 14   | 19   | 20   | 22   |
The History of Changing Curricula

The first business schools began teaching a curriculum designed around Frederick Winslow Taylor’s principles of scientific management. While the changes since then have tracked the evolution of the business world and the needs of the business student, some specific trends have arisen that are dominant today. Two of these are new technologies for long distance education and completely new types of students. A case that demonstrates both of these trends in action is that of professional working mothers in China (Kibelloh and Bao, 2014). Benefits to an MBA program are still not well documented in the Chinese context and applying online education to this context is moving into very new territory, particularly in China.

The purpose of an MBA course in China has focused on career progression and for working mothers, balancing work and family life is already a major difficulty. Therefore, they report flexibility as a principle desire for online MBA programs (Kibelloh and Bao, 2014). This kind of flexibility has played a major role in Executive MBA programs (Petit, 2011). However, the same criticisms and fears of this arrangement persist from one to the other–especially regarding ensuring academic rigor (Petit, 2011). Chinese students, who are accustomed to close, face-to-face relationships with teachers, have a particular problem with getting used to online education, even though they are enthusiastic about adopting it (Kibelloh and Bao, 2014). The perceived quality of the program is more in the credential than in the information being taught, which means that improving the curriculum has the primary goal of not creating a more educational experience for the student, but of promoting the reputation of the MBA program as a valuable one (Kibelloh and Bao, 2014). In other words, the effect of the two trends of distance learning and new types of students is that pedagogy is innovated, focusing on flexibility, rather than an innovative curriculum. Innovation is instead limited to traditionally elite MBA programs and higher-level institutions.

An example of such curriculum shift is noted by Steven A. Gedeon in his paper, “Application of best practices in university entrepreneurship education: Designing a new MBA program”. Gedeon identifies the traditional MBA program in Europe as underserving students by not emphasizing entrepreneurship (Gedeon, 2014). His effort to encourage a redesign of the curriculum to encourage entrepreneurship is nominally based on the stated desires of the German students he is focused on, but revolves more directly around the vision of an economy where growth is driven by entrepreneurship and building a culture of higher-risk/higher-reward economic activity (Gedeon, 2014). In the developing countries, it is noted that importing business ideas into new cultures without appropriate preparation and context is not useful. Even in Germany, bring in new understandings of the value of different forms of economic activity demands, as Gedeon describes, an active reform of values (Gedeon, 2014). His proposed curriculum therefore emphasizes at every step the inculcation of new attitudes and values, including “independence, productiveness, honesty, egoism, rationality, integrity and justice” (Gedeon, 2014, p. 240). On a larger scale, the history of the changing curricula for MBA programs can be summed up in this way:

- An identification of a desired “macro” outcome: Economic growth
- Determining what economic actions produce this: Entrepreneurialism
- Defining the values that encourage entrepreneurialism according to Western ideals
- Spreading these values through education to ‘foreign’ populations

This has had the effect of making core aspects of the curriculum stay mostly the same, while the mission of the program becomes more ideological. Today, the curriculums for MBA programs have become very similar compared to what they were at the beginning of the program’s history (Herrington, 2010). The question inevitably arises, why has curriculum innovation not been a method used by Business Schools to distinguish themselves, if so many of them have a mission of creating innovative leaders and rankings are so fixed? Part of the answer is the danger of overly ambitious innovation; a school that revamps their curriculum may scare away students who are overwhelmingly concerned with getting skills they need to succeed in the business world today, rather than engage in academic experimentation as such (McCraw, 1999). The history of the curricula of business school programs is, more than in non-professional disciplines, in the hands of the students rather than the universities. Students feel even more rushed and entitled to proven marketable skills now, when tuition has skyrocketed.

The History of Tuition Growth

Tuition has generally skyrocketed, in particular for the top-ranked programs, which typically reaches much more than 40,000 USD. As shown earlier, only six of the top 20 business schools have tuition for full-time students less than $58,000 per year (USNWR, 2015). Of these, four are public institutions. While many of these universities are traditionally wealthy institutions that are able to offer more financial aid to students, the return on investment remains high and students typically rely on loans if they require financial aid. While the pace of tuition growth has greatly exceeded
inflation, for the top schools, it can be viewed as functioning as a limiting factor for student entry. Students with the resources to pay for entry have a higher starting point for future success. They are more likely to become the top profile alumni that build the prestige of a Business School. While GMAT scores and past academic records provide some insight into how students will perform in graduate school, the most accurate predictor of future wealth is current wealth. At this point, the tuition price with financial aid does not limit entry only to the very rich, but it does make business school an unwise investment for those who are not aiming toward tremendous financial success. High tuition therefore functions as a way to maintain the balance of the MBA program between an academic program and a professional program. This naturally exists in some tension with the missions of MBA programs, which almost uniformly aspire to create innovative, risk-taking leaders. If students from a school have a high risk of failure, the school loses appeal and its high tuition becomes unjustifiable. However, if a program does not encourage entrepreneurialism and plays it safe, it quickly loses relevance, something that has happened many times in the history of the MBA program. The top schools are able to charge comparatively more, because they have gained a reputation of innovation, in other words creating leaders and less risk, in other words, a return on investment.

Consequently, there has been little decline in interest in MBAs. As long as MBA programs can claim that major increases in salary and career advancement are reasonable expectations, this will likely continue. However, the number of places for students is expanding, which means that even if MBA programs continue to be popular, many schools might lose viability as they lose the ability to attract students. Petit argues that Executive MBA programs need to move away from traditional tuition pricing and begin to offer scholarship funds or lower costs and tuition price (Petit, 2011). For general MBA programs, the most expensive schools remain the most competitive (The Economist, 2015). The implications of this trend are difficult to predict. Because MBA programs are flagship programs of business schools, if not necessarily its only program or source of money, a business school is very unlikely to eliminate it. They are kept as loss leaders. However, if the glut of programs becomes large enough to the extent that degrees from “lower tier” schools lose value, then there is little that can be done to keep those schools viable at their current prices, even as the elite schools continue to build their advantage. If tuition is a proxy for reputation, rather than for popularity directly, then it reinforces the notion that the true value imparted by a degree is in the connections given by a famous name, rather than knowledge imparted in an academic program.

The MBA Admission Process

Admissions to MBA programs are often based on a combination of undergraduate academic performance and GMAT score (Christensen et al., 2012). However, studies are inconclusive over whether these two criteria accurately predict student success in the MBA program (Christensen et al., 2012). Other factors that have been analyzed include age, years of work experience, gender, ethnic background, undergraduate major and type of program, either full or part-time. However, for many of these factors research has been contradictory (Christensen et al., 2012). Newer research showed that the strongest predictors of future performance are writing skills, undergraduate GPA and the completion during university of certain prerequisites, such as marketing, economics and business statistics, but not accounting, management and finance (Christensen et al., 2012). What the history of admissions to MBA programs demonstrates is that there are competing interests at play - a desire to maintain at least the appearance of academic rigor and the desire to identify and promote current and future leaders in the business world. Ideally, these two interests would coincide because the curriculum would be such that a capable business leader would excel. However, due to international differences in business culture and other factors, this seems impossible to replicate in a standardized way around the world. This may be the reason for the relatively low degree of predictability imparted by GMAT scores (Christensen et al., 2012). Consequently, reliance on the GMAT as a worldwide arbiter for admission into MBA programs does not objectively aid both of the competing interests internationally. What the history of admission into MBA programs reflects, therefore, is the enforcement of a sense of conformity in the business world on a global level, as defined first by people who succeed in the desired criteria and secondly by people who can pay for the course, a concern that should not be neglected.

Types of MBA Programs

There are various forms and lengths of studying for the MBA program. A full-time MBA program will last a minimum of 16 months, while a part-time MBA program may take between 30-60 months and an Executive MBA program may take 20-22 months while working full-time (Petit, 2011). MBAs are also often combined with dual degrees, such as a PhD, JD, MS, MA, etc. (Li-Hua and Lu, 2013). This kind of interdisciplinary work is done to encourage business success in specific areas, such as in the sciences or other fields requiring high education. There has also been a great shift to distance learning and online work, which has proven particularly important in developing countries.
The evolution of various types of MBA programs stems from differing needs of the business community and the desire of various schools to capture new markets of students. The University of Chicago’s introduction of the Executive MBA program in 1943 reflects the inherent impracticality for many businessmen of devoting two years to full-time study. The international character of business has made online courses increasingly attractive. While not consciously directed, the diversity of MBA programs can be attributed to the desire for standardization of business practices and values that will facilitate business around the world. The problem with “learning on the job” is that it creates local business cultures that are not always compatible. Exposure to a common curriculum, even an abbreviated one, creates a “right way” to do business and correct values that drive economic activity. A criticism of many of the shorter forms of MBA programs, such as the Executive MBA or the 1 year MBA, is that they are not academically rigorous and do not teach a comparable amount of material as compared to a traditional MBA. Even if this is true, these shorter programs expand the community of MBA graduates that share ties and a common framework of business. The benefits to the students, whether they be classified as social, academic, or vocational, are clear. Schools have recognized that students will pay for various forms of the MBA program in order to gain the benefits of entry into the MBA community, even if they do not have the time or inclination to devote themselves to a full two year traditional MBA.

The implications of this appeal are that growth in MBA membership will be primarily international, because it will involve the assimilation of local business cultures into an international business community. MBA networks will, in China, India and other developing markets, replace traditional family and community-based networks. The entry of American and European businessmen into these markets (and investment attempts by Chinese and Indians and others into western markets) has often been damaged by the impenetrable nature of these local business cultures. Standardizing and internationalizing these business communities creates potential financial benefits for both sides at least in the short term.

**Discussion and Conclusion**

It is relatively clear that people pursue an MBA degree for the purpose of greatly increasing their salary and career position and in this sense it is closer to a vocational degree than an academic one. However, it is interesting that unlike more traditional vocational degrees, the skills- in management, strategy, or corporate governance-that are taught in an MBA are somewhat vague. To a great extent, an MBA is a kind of initiation rite into the culture of global business and the education is geared toward producing students who can succeed in and innovate within the current economy. This is what is driving its huge growth and popularity, both as an investment by students and as a program by business schools. However, the business world is itself a hierarchical place and while lower-tier business schools would presumably lead one to success in the lower-tiers of the business world, such success in the west is less and less likely to be worth the massive investment of money and time. This in general explains the growing popularity of all manner of MBA programs in the developing world, while the market for lower-tier programs in the United States is essentially saturated.

It should not be assumed, however, that the growth of the MBA program is a benefit solely to the institutions, or that its function as an initiation rite into the higher tiers of business is a useless one. The benefits to having entrepreneurial-minded people network and share in creating a common business culture are important to the development of a national economy. In many developing countries, the core skills and business ideas taught—even if standardized and vague in practice—represent an improvement to the prevailing business culture. The issue, however, is in the program’s applicability to local conditions and appeal to local businessmen. A graduate of Harvard Business School or Stanford Graduate School of Business is initiated to join into the international business community, but for all the people who cannot reach such elite heights and who want to do business at the local level may not benefit as much from a distance education model based on the elite programs. There is still space for the traditional MBA program, exported to new places and adapted to form a new core business community that can first transform the country and then engage with the world. Consulting needs to happen between business school programs in the US or Europe and with new schools and business leaders in the developing world. They can work together to incorporate business cases from the new environment into an adapted and localized curriculum. This curriculum can then promise students entry into the global business leadership and a way to have a more likely return on investment at the local level.

Ensuring the continued viability of business schools MBA programs, therefore, depends on the ability of foreign countries to provide MBA programs that give a perceived return on investment and that are formed directly for the communities they are serving. They will need to be increasingly creative to do this, because the educational benefits of a business school curriculum are not clearly defined and improvements...
in curricula will have limited effects. What business schools in America do right needs to be carefully understood and opportunities for innovation need to be taken. This effort is the overriding purpose of this paper. Pedagogical innovations are the future for MBA programs worldwide, to spread and create the credentials for global business classes to local business classes in diverse areas and encourage global development. They need a firm foundation to build upon.

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Author’s Contributions

Maral Serikovna Zakirova: Contribution to the writing of the Abstract, Introduction and section “Results”.

Didara Smailova: Data collection, contribution to writing the sections “Discussion”, “Results” and “Conclusion”.

Zulfiya Torebekova: Contribution to the Literature review, to translation into English, data collection and complying with the requirements of the journal

Maigul Kizatova: Data collection, contribution to writing the sections “Discussion”, “Results” and “Conclusion”.

Ethics

The authors have read and approved the paper and no conflicts of interest in the publication of the paper.

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