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# The Master of Business Administration



MBA director Jack Kasulis, left, and Dean McKibbin with OU business students in the college's Kantor-Sanditen Room.

## What Should They Pay For an MBA?

**A hot item in the educational marketplace—yet some critics term the MBA graduate too expensive, impatient, aggressive, unrealistic, conservative — even disloyal. An OU authority answers that these critics may be asking the wrong questions.**

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**T**he MBA has become the "hot ticket" of higher education. If there were any doubts about the MBA's market success, *Time* surely dispelled them with a cover story in April, 1981. *Time's* story was representative of many commentaries: the MBA has become highly successful, visible, high-priced, and at the same time somewhat suspect. In my opinion most media presentations are overdrawn. I should like to put the MBA into perspective; I also want to present a picture of the University of Oklahoma's MBA program.

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Dean of the College  
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Contemporary MBA programs represent the fruit of an uncontrolled twenty-year boom period. In 1980 more than 50,000 students received the MBA degree, a 1000% increase over 1960. There has been a rapid increase in the number of students, but an even more rapid increase in the number and diversity of academic institutions offering MBA programs. At

one time MBA programs existed primarily at prestigious private schools and at the major state universities. By 1980 the majority of MBA programs were offered by institutions that were neither.

Each MBA program provides a unique orientation and flavor. Curricular emphasis varies: some programs are highly quantitative and/or theoretical; some are highly applied and pragmatic; some are lock-step with little flexibility; some are very demanding and rigorous; some may take a year to complete, others two or

more. The key characteristics that I find useful in distinguishing among the different types of MBA programs are:

1. *Program*—whether it is rigorous, demanding, and goes significantly beyond an undergraduate business degree; whether designed exclusively for graduate students, or whether undergraduate courses may be taken for graduate credit.
2. *Faculty*—whether they are research, consulting or teaching-oriented; whether they include people with practical experience, and whether they are predominantly full-time or part-time.
3. *Admissions*—whether there is a highly selective admissions policy or not.
4. *Accreditation*—whether the school has met accreditation standards.

Those schools which have rigorous, demanding programs, using predominantly full-time, research-oriented faculty, offering exclusively graduate classes, having very selective admissions policies, and meeting accreditation requirements are producing *The MBA* that most of the media attention is being directed toward. The most visible and recognized MBAs are produced by prestige institutions — Harvard, Stanford, Wharton, Columbia and a number of others. The market place has tested their product. Any student fortunate enough to be admitted to one of these schools can profit from the experience, although there is no guarantee of an economic payoff sufficient to justify the very high cost of these programs. Of course, there is no guarantee that the organization paying the price of a newly-minted prestige MBA will get a return commensurate with the expected return on investment.

Many state universities, particularly those located in or near metropolitan areas such as the University of Oklahoma, include in their program a number of high quality part-time students who have significant work experience and thus bring to the classroom a real-world orientation which enriches the learning environment significantly. The average

age of the MBA student at OU is 30.

The OU program is exclusively graduate, i.e., a student cannot take some elements of the graduate program at the undergraduate level. It is of approximately two years duration depending on the amount of business and economics which the student has taken at the undergraduate level. An engineer, for instance, will typically not have had any business subjects, and therefore his first year in



Management's Ramon C. Alonso

graduate school will be devoted almost exclusively to covering what we call "common body of knowledge" subjects, such as principles of accounting and economics. Some schools provide for such "prerequisites" and "deficiencies" to be made up by sending graduate students into undergraduate courses. They also allow credit for some elective undergraduate courses. At Oklahoma we believe this practice depreciates the quality of graduate experience significantly. There is a world of difference between a class of bright, highly motivated graduate students taking a course in, say, managerial accounting, and one in which the majority of students in the class are sophomores.

Admissions at OU are highly selective. Entering students in the MBA program rank at or above the 85th percentile on the Graduate Management Aptitude Test (GMAT). Forty percent of the current class ranks in the 90th percentile or above. These

statistics compare favorably with some of the most highly-regarded programs in the country.

A word on accreditation. Business programs are accredited by the American Assembly of Collegiate Schools of Business (AACSB), an organization which includes almost 600 degree-granting institutions and some 80 corporate members. Some 250 schools (less than half of the AACSB members) are accredited. An accredited school has been evaluated on the basis of the quality of its students, its faculty, its curricula, support facilities, etc., and has been judged to have met minimum standards in each of these categories. The University of Oklahoma College of Business has been continuously accredited since 1926, which makes it one of the older of the accredited institutions in the region, preceded only by Nebraska and Kansas in the Big Eight and by Texas in the Southwest. Incidentally, there are only three accredited programs in Oklahoma: OU, OSU and Tulsa.

Having given some notions on the diversity and character of MBA programs, I shall comment on the questions and criticisms directed at "The Typical MBA."

The standard criticisms of MBAs are: —they are too expensive;  
—they are impatient;  
—they lack loyalty;  
—they are too aggressive;  
—they have unrealistic expectations;  
—they are too conservative.

Let's consider these points in turn.

#### *Too Expensive*

The starting salaries for MBAs minted in 1980 ranged, approximately, from \$16,000 to \$60,000. The range of starting salaries reflects the diversity of program orientation and quality, the diversity of pre-MBA experiences and the diversity in performance of students within programs. Is this too high? Perhaps. But the market is working. There are many buyers and many sellers. To be sure, many firms are paying too high a price in the sense that they might get the same — or in many cases a better — job done by less costly MBAs or by hiring BAs and then investing in the person's continuing profes-

sional development over time. I do not believe, however, the business schools should, even if they could, do anything to affect the price. I believe in the free market system.

#### *Impatience*

MBA's are indeed impatient. Most highly motivated, highly productive people are. The complaint that an individual is impatient is usually an admission that the firm has hired someone who does not fit with the tenor and pace of the firm, or who has been assigned to duties below his capacity. MBA's from high-quality schools have been trained to be challenged. It is important to recognize that all firms do not need MBA's and that many positions to which MBA's are being assigned are better suited for individuals with far less education. The challenge to industry is to provide a work environment in which MBA's have an opportunity to practice their professional skills. On many visits to business firms, I have encountered MBA's doing work that can only be described as clerical or "gofer." No wonder they get impatient!

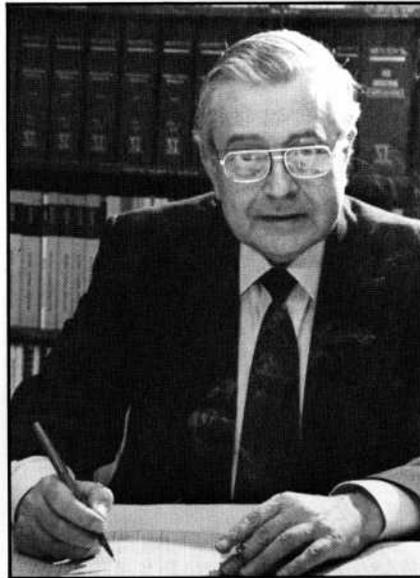
#### *Disloyalty*

If MBA's are misassigned, then they, though rational in seeking alternative employment, would appear to be disloyal. In fact, the complaint that MBA's lack loyalty is an admission that many of them have been misassigned. Large scale misassignments reflect the insensitivity of both MBA's and employers to mutual needs. But it is also true that loyalty is a depreciating value which we should work to reestablish. MBA programs probably are contributing to the decline of loyalty toward organizations because they inculcate the notion of loyalty to a profession rather than to a company. This is reinforced by the mobility and fluidity of American society, which encourages and rewards moving from one organization to another. We probably need to do some research on this issue to find out just what is happening and to see how serious the problem is.

#### *Aggressiveness*

MBA's probably are more aggressive than most graduates. Their

training tends to reinforce aggressive behavior patterns because there tends to be keen competition, at least in the major programs—competition for admission, competition for grades, and competition for jobs. Moreover, much of the subject matter is concerned with competitive organizations. Aggressiveness is not necessarily a negative factor; the challenge is to direct the behavior toward constructive purposes.



Marketing's Bert C. McCammon

#### *Unrealistic Expectations*

Many MBA's do have unrealistic expectations. If a young man or woman obtains the bachelor's degree and the MBA in rapid succession from a premier institution, then that individual is most likely to have very unrealistic expectations. Such an individual has spent the whole of his rather short adult life in the fast track. He expects to spend the rest of his adult life in the same track, and he wants the track to lead somewhere fast. His expectations are unrealistic due, in part, to his lack of experience and because all of his life he has been singled out as something special. MBA's with extensive managerial experience tend to have more realistic expectations. Many MBA's hold unrealistic expectations on the basis of comments and promises made by company recruiters. It is also certainly true that many students in elite schools are conditioned to very high expectations. "It's hard to be

humble when you're a Sooner" applies here. I'm not sure how to mitigate the attitude. I'm not even sure we should.

#### *Conservative*

The charge of excessive conservatism and short-run thinking may be the most serious, and perhaps the most accurate of all. If we define conservatism in this context to mean avoidance of risk, then MBA's are often indeed too conservative.

A considerable proportion of the MBA program deals with quantitative techniques: how to allocate capital and measure the results of performance. Concepts such as discounted cash flow and return on investment lend themselves to sophisticated data analysis, enhanced by the exponential growth of computers. But most data are ephemeral and can lead to avoidance of decisions on important strategic issues. Data are typically not available to enable calculation of the present value of projects which may not begin to pay off until many years into the future. Managers' careers depend on the quarterly report, and the bottom line requirement hangs guillotine-like over their heads. Moreover, if short-term profits are won at the expense of the long-run health of the firm, the executive responsible can often escape the consequences by parlaying his "success" into even higher and more lucrative positions.

Perhaps here is where mobility and lack of organizational loyalty is costing our society dearly. We might reflect on the Japanese system — where managers cannot climb ladders by leapfrogging from company to company — and ask ourselves whether they have not done a better job of strategic long-run development at least in part because their managers (a) aren't fired if they don't perform in the short-run and (b) have to live with their decisions for a much longer time than American managers do. They are less likely to escape the long-term consequences of their decisions.

Some MBA programs do include long-range planning and strategic decision making in their curricula, and with the current spotlight of criticism, I'm quite sure there will be more emphasis on these subjects in

the future. But we need to remember that MBAs are typically hired into positions in which they initially have little influence on long-run decisions. Since higher level managers make the key strategic decisions, it may well fall to post-MBA education to deal with the longer-run issues.

In summary, the commonly expressed criticisms either reflect a natural outcome of the MBA process and societal norms, or can be minimized somewhat by careful selection and placement of job candidates. Some of the criticisms are valid and universities as well as business clients need to work consciously to make some changes. In the selection and placement process, it is important to recognize that MBAs are individuals, with different experiences, training and personalities. An understanding of these factors should lead to more satisfying employer-employee relationships.

Universities need to understand and be involved more intimately in the world of work. This can and should be done through more relevant research and commitment to involvement in and development of life-long learning programs.

One area in which we, along with most schools are still relatively weak is continuing education, or life-long learning. Much of what is taught in full-time degree programs would be much more effective if taught in the work environment to people who are on the job. We need to be more innovative and effective in delivering degree programs to working people wherever they are. That means more off-campus offerings and more week-end programs scheduled in Norman for company-sponsored executives.

Two exciting experiments we are currently engaged in involves the delivery of graduate courses in economics and management to ARAMCO in Saudi Arabia and Phillips Petroleum in Norway. Intensive one-week full-immersion seminars are given on site by members of our faculty, and the students do written and reading assignments on their own time. The students in these programs are outstanding, and while there are some obvious logistical difficulties, the results so far have been impressive. Ultimate quality control

is assured by examinations common to both the remote and the on-campus programs.

This, or variations thereof, is the way of the future in much of professional education, in my judgment. Not only is it a question of effective delivery of education; it is a matter of cost. Too many highly qualified students cannot attend the traditional full-time program because the cost — foregone earnings plus tuition and



Economics' David A. Huettner

other direct costs outlays — is simply too high.

I have already commented above on some of the characteristics of the OU program. We have an outstanding faculty, an appropriate blend of seasoned professionals with research credentials and previous business experience. Men like Bill Weitzel, formerly a vice president for Dayton-Hudson, who teaches human resources development with uncommon insight and flair; Ray Alonso, with extensive experience in venture management for General Electric, a keen strategist and analyst of present and future environments; Bert McCammon, a marketing consultant whose advice is sought by industries nationally and internationally, and whose direct involvement with ongoing practical research provides learning experiences for MBA candidates they can get nowhere else in quite the same dynamic way; John Klingstedt, whose knowledge of oil

and gas industry makes him one of the leading consultants in the field; Ted Englebrecht and Travis Goggans, two leading authorities on tax matters; Shane Moriarity, on the editorial review boards for the two most-read accounting journals; Dave Huettner, energy economist, whose consulting experience with energy companies and whose technical reports for industry as well as state and federal agencies give him the practical background to make managerial economics and capital budgeting come alive in the classroom. These, and many more — I run the risk of offending those whose names I've omitted — provide a learning environment which keeps bright students challenged and motivated to learn.

As for the student body, we intend to continue a rigorous admissions policy on the theory that there really is no substitute for brains. That does not mean we intend to rely solely on quantitative measures such as test scores. However, if test scores are low, the student who seeks admission to our programs will have to demonstrate that he or she has qualities which belie the test results. Usually, successful experience in management positions suffices to convince us that a prospect merits consideration. We know from experience that many people who do not score well on tests and who do not have high academic grades go on to successful careers. But we also know that the profile of our current student body which shows test scores well above what they were five years ago provides a significantly different overall performance record. Classes move faster, probe deeper, and have a more intensive, more satisfying learning experience. We are confident our graduates can compete with anybody. □

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*ABOUT THE AUTHOR: Dr. Lawrence E. McKibbin is a national leader in business education, currently serving as vice president and president-elect of the American Assembly of Collegiate Schools of Business. He earned his Ph.D. from Stanford University, served on the University of Indiana faculty and was business dean at Wichita State University before coming to OU five years ago.*