

Business of survival: The MBA universe is expanding despite the global recession

Schools are striving to find new selling points to attract students

By Michael Prest

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MBA students are increasingly spoilt for choice. You want to study in your home region? Islamic finance? A medical MBA? Need help paying the fees? Schools from northern Europe to the Far East by way of the Mediterranean will oblige. Despite the recession, or perhaps partly because of it, the explosion in the number and variety of business schools shows no signs of slowing down. The big bang causing this expansion of the MBA universe is worldwide demand from students and business. And as in many consumer-led industries, business schools are locked in a Darwinian struggle to differentiate themselves.

"I think there is overcapacity in this market. New entrants may underestimate how easy it is to get into this market, for example in hiring a good-quality faculty," says Narendra Laljani, director of executive education at Ashridge Business School in Berkhamsted, Hertfordshire. Faced with an increasingly complex market, there are two connected areas in which business schools, even the better-known names, are particularly trying to make their mark: how you entice the students in; and what you teach them when they're signed up. Both mean more work for the schools and more choice for the students.

The related questions of student recruitment and paying the fees are critical to filling the classrooms. Although they vary greatly – the ratio of the highest to the lowest MBA fee in the UK is about 7:1 – fees in general rose faster than inflation for several years. But more recently, competition between schools has kept the lid on what they can charge, and that seems likely to continue. One consequence has been to freeze the fees hierarchy and force schools to make a virtue out of necessity. "We do not compete on fees," says Javier Muñoz, director of admissions for IESE, one of Spain's leading schools and, at €67,900 for its full-time MBA, one of the more expensive.

Top schools argue that they offer a superior education and better value for money: IESE has a student-to-faculty ratio of 4:1, despite boasting an MBA cohort of 220. But even so large a school cannot ignore the plethora of offers from less prestigious institutions which students may find tempting – especially in recessionary times. IESE's answer for some time has been an arrangement with a Spanish bank to provide students with highly attractive loans: 100 per cent of the fee at 2 percentage points over the euro interbank rate (the rate at which banks lend to each other in euros), which effectively has to be repaid over eight years. In fact, the average repayment period is four years.

IESE has also introduced a young talent programme to draw in more students and sponsors. Companies that agree to sponsor students recruit suitable candidates straight from university and employ them for a few years before paying to put them through the MBA. The student then has to return to the sponsoring company. "The programme is open to any student, with any degree from anywhere," says Muñoz.

ENPC School of International Management, based in Paris, operates a scheme along broadly comparable lines. When students apply for the full-time MBA being launched in October with the Hassania School of Public Works in Casablanca, Morocco, their dossiers will be shared with a group

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of sponsor companies. If a company likes an applicant, it can pay part of the tuition fees in return for him doing his MBA project in that company. "We go to the companies and say this is a win-win," says Professor Tawfik Jelassi, dean of ENPC.

Ashridge, with its traditional strength in management education, makes a similar case to sponsors. Companies are more reluctant to finance employees to take executive MBAs (EMBA), but Laljani argues that the assignments and the consultancy project that students do for their sponsors as part of the degree makes it good value for the sponsors' money, not least because faculty are involved. "Anecdotally, we know it's worth a lot to a sponsor company. It's a lot of consulting time," says Laljani.

ENPC's new joint degree points to another way in which schools are differentiating themselves to attract students: going to where the students are and offering a qualification with a strong regional appeal. The course, some of which will be taught in Paris, is aimed at students from the Mediterranean and Africa. It will focus on the private sector as well as the public sector managers who traditionally have gone to such institutions in Arab countries. "We think Africa is the next continent to get the attention of the business community. Teaching some of the course in Paris is important for business education with a European-Mediterranean emphasis," says Jelassi.

Another French business school, ESC Lille, is also taking the product to the customers. In October, it will introduce an 18-month part-time MBA offered jointly with Institute Dar Basile in Aleppo, Syria. ESC Lille has been involved in the Middle East for 20 years. The school's Catholic connections led it to Dar Basile, a management school under the aegis of the Melkite Greek Orthodox Archbishop of Aleppo whose blessing was required for the link-up. The Melkites are an ancient denomination who are Catholics but follow Byzantine theology and rites.

Students on the course can be based either in Aleppo or on ESC Lille's Paris campus. Each will spend time in the other place, and all students will have a study trip to China. Christophe Bredillet, director of postgraduate programmes at ESC Lille, believes Syria is modernising and that there is demand for management training. "People there are keen to learn. We target young professionals usually, and companies understand how they can benefit from management education," he says. Most of the faculty will be from ESC Lille, although Bredillet expects more Syrian teachers will participate in the future.

Islamic finance is a common element in such courses, which also devote more time to local laws and business practices than would a mainstream MBA in a better-known school. But Javier Muñoz is relatively sanguine about regional competition. "In the short term at least, I don't think it will be serious competition to the established schools in Europe and the US," he says. In his view, new degrees and schools may be a good choice for local students, but they are unlikely to attract European students and still less Asian students, who are increasingly important in the MBA market.

However, that has not stopped European schools from innovating. ESSEC, a long-established Paris school, has joined forces with the faculty of medicine at the Université Paris Descartes to launch a double MBA and medical degree. Pharmaceutical companies such as Servier, Sanofi-Aventis and Roche have agreed to sponsor four to six students, and more than that number have already applied. "We were looking for high-potential students who eventually might hold positions such as heads of hospital departments or hospital directors," says Gérard de Pourville, Chair of health economics and management at ESSEC.

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In any case, well-established European schools often already offer courses which distinguish them. Nottingham University Business School has carved out a niche in entrepreneurship, although other schools tout their entrepreneurial credentials as well.

Martin Binks, professor of entrepreneurial development, stresses that teaching entrepreneurship is about much more than students starting their own businesses – although that is becoming more popular. "It's about opportunity recognition and creative problem-solving," he says. "We're getting the impression from large businesses that their response to innovation needs to be more creative and less responsive. There's a real thirst for the sort of capabilities we're talking about."

Ethics is another component of business school courses which the recession has put more on the map. Cass Business School, in London, has set up a business ethics task force to examine how this thorny subject can be applied across all its courses. "Perhaps people are going back to basics," says Professor Steve Haberman, director and deputy dean of the school. The mounting interest in ethics coincides with an upsurge in applications, particularly for the EMBA, which has surprised him and many other deans and left them wondering if it is a flash in the pan.

The rise in the number and quality of applicants for full-time and part-time MBAs is posing a dilemma. Should schools increase class sizes as far as facilities allow or stick to their normal cohorts? The answer partly depends on each school's capacity and teaching philosophy. Cass, for example, has a largish cohort of 80 for its full-time MBA. Students sit round a classic horseshoe-shaped lecture theatre which accommodates about 90. "A group of 30 in our judgement is too small to get the right mixture," says Haberman.

By contrast, Laljani at Ashridge, which has classes of about 30, says: "If you're in a room where the professor has to wear a microphone, you're in trouble from a student point of view. We have no lecture theatres." It is not exactly a buyer's market, but MBA students are in a strong position.