The global financial crisis continues to cast a heavy shadow across the world’s business schools and their master of business administration programs.

The economic meltdown was so sudden and catastrophic that many pundits confidently predicted the end of capitalism. In the rush to apportion blame, fingers were pointed at the MBA for fostering a culture of corporate greed and excess – and some even predicted the demise of that qualification.

Around the world, universities and business schools responded to the backlash by reviewing and in many cases overhauling their MBA programs.

For some universities, revamping their MBAs was a pragmatic response to the criticism. For others, change was motivated by a deeply felt sense of failure. But it all amounted to the same thing: an admission of mea culpas.

Management academics were stung by the condemnation. Harvard Business School dean Nitin Nohria and colleague Rajesh Khurana in 2008 wrote an article in Harvard Business Review titled “It’s Time to Make Management a True Profession”, in which they floated the idea of creating “a Hippocratic oath for managers”.

The following year, 26 graduating Harvard MBAs became the first graduates to take the MBA oath, pledging to conduct themselves in their professional lives with probity and integrity. Graduate Max Anderson explained: “My classmates and I are aware of the low opinion many people have of MBAs ... We don’t want to be known as the least respected profession in America. We want to be known as professionals who look after the best interests of their clients, customers, employees and shareholders.”
Anderson is the co-founder of The MBA Oath Initiative which has 6,000 signatories from business schools around the world, including several Australian Graduate School of Management (AGSM) MBA graduates.

Another response to the GFC was the creation of the United Nations Principles for Responsible Management Education, which enshrines the values of sustainability, corporate social responsibility and responsible leadership. Globally, 385 academic institutions are signatories to the protocol, including 12 in Australia.

Griffith University in Brisbane was the first Australian university to adopt the principles. Among the signatories, Melbourne-based universities RMIT and La Trobe have introduced a new MBA that incorporates the principles. La Trobe University’s Graduate School of Management, also in Melbourne, will introduce a new MBA in 2012 that will incorporate the principles.

Although the GFC may be over—more or less—its impact on postgraduate management education continues.

The academic director of AGSM MBA programs at the University of NSW, Murali Chandrasekaran, says that since the GFC the MBA programs that previously had been “churning out students who wanted to get into investment banking and make lots of money” have had to make the most radical adjustments as job opportunities in banking and finance have dried up and students’ priorities have changed.

Chandrasekaran says the resurgent demand for MBAs has proven wrong predictions of the MBAs demise but the programs most in demand are those focused on the personal development of graduates with an emphasis on leadership. The GFC, he says, has forced a rethink of leadership and MBA programs that produce graduates “skilled in solving complex problems not just in business but in society” are thriving.

“Underpinning the AGSM MBA, according to Chandrasekaran, is the theme that the decisions and actions of leaders have repercussions organisationally and in the community.

“The GFC highlighted the danger of putting leaders on a pedestal and expecting them to have all the answers,” he says. “It’s easy for leaders to be seduced by that; it creates the presence of certainty in a world where there is no such certainty.”

“The fact is that with the most complex problems immediate answers are not always readily forthcoming. “True leadership is not always predicated on having all the answers and it takes courage to say ‘I haven’t got the answer’.

“Ofentimes, leadership is about not providing answers but having the hard conversations.”

A mandatory component for MBA students is the Integrative Experience program in which students are presented with a challenge to “solve problems of great uncertainty and great complexity where there are no clear-cut solutions” and to do so co-operatively with diverse stakeholders.

Last year, AGSM students worked with government, doctors and pharmaceutical companies to develop a plan to overcome Australia’s obesity problem. This year, students are tackling a compliance problem revealed by a University of NSW survey which found that fewer than 40 per cent of doctors wash their hands after attending to a patient.

“The challenge for leadership is to recognize problems and to be able to bring people together to solve them,” Chandrasekaran says. “Leadership is about understanding the consequences of decisions made and the consequences of problems going unchecked.”

Such exercises emphasise the “soft” or non-technical skills that are increasingly in demand in MBA programs. These skills include collaboration, negotiation, persuasion, listening, managing people, decision-making and problem-solving.

An international survey of prospective MBA students by London-based higher-education consultant CarringtonCrisp found that the course components most valued by students were strategic management, leadership, managing people and organisations, marketing and, making a surprise appearance at number five, entrepreneurship.

Andrew Crisp, co-author of the report Tomorrow’s MBA: Enter the Entrepreneur, says “students recognising the changing job market are putting skills ahead of salary”. But why entrepreneurship?

“Whether it’s in response to a changing job market where there are fewer opportunities in banking and finance. or whether this is a longer term trend away from large organisations is unclear,” the report says.

The acting dean of the University of Sydney Business School (USBS), Tyrone Carlin, says the growing complexity of business and heightened employer demand for skilled high-performers has resulted in the resurgence of MBAs.

Carlin says employers are looking for a combination of technical knowledge and “soft” competencies in their future leaders — although he dislikes the word “soft”.

“You hear a lot about ‘soft competency’ and although it’s not intended to be pejorative, it does underline the significance of those skills,” he says.

“My preference is to get away from the language of soft versus hard. I think of them as core competencies for business leaders. Let’s be realistic about this: anyone charged with leadership in a complex organisation will have to draw from a portfolio of core competencies and skills.”

USBS introduced the Global Executive MBA, an 18-month program with a $300,000 price tag, in 2010. It is restricted to cohorts of 20 and although the minimum entry requirement for candidates is 10 years’ relevant professional experience, the intake so far has averaged 15 years.

For Carlin, the unashamedly exclusive Sydney MBA reflects a view that the MBA has been compromised by its popularity and the rush by universities to cash in on the demand.

“We’re really clear about what an MBA is,” he says. “It’s all about general management. The core of its existence is to facilitate people to become strong general managers.”

Many MBA courses on the market, he says, “are not really MBAs at all” because they “aren’t academically selective” and are open to students with little work experience.

“We have some extremely impressive individuals in the program,” Carlin says. “We exercise iron discipline in terms of how and who we recruit into the program. You can’t do it any other way.”

The shift to generalist MBA programs which purists say returns the MBA to its roots as a general management qualification — rather than treating them as a conduit into banking and finance jobs is a defining consequence of the GFC.

This has opened the way for another potentially lucrative market for universities: specialist masters programs in areas as diverse as human resources, accounting, finance, logistics, innovation, marketing, and even management.

The director of graduate studies at Macquarie University’s faculty of business and economics in Sydney, Anne Ross-Smith, says specialist masters degrees suit “career changers” and “career enhancers”. They are usually less expensive than MBAs because they comprise fewer units.

Macquarie University does not offer MBAs, unlike its sister institution, the Macquarie Graduate School of Management, but Ross-Smith says the university is not competing with MBA providers. She believes the market for specialist master’s degrees will be the next big growth area for universities.

“We’re developing our own market because the specialist master’s has its own characteristics,” she says. “Most universities would be looking for growth in their master’s programs.”