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Today's News

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Business Schools and Students React to Financial Crisis

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Investors were hardly the only ones shaken by the tumult in the financial markets last week. Business schools, as well as their current and prospective students, suddenly found themselves struggling to make sense of events on Wall Street and worrying about job prospects in some areas of their field.

At a recruitment fair for business schools staged here at the National Building Museum, many of the would-be students spoke nervously of friends who had lost jobs on Wall Street, and questioned the wisdom of going into finance.

Among them, Matthew Bryant, 21, said he had ruled out finance as a career option, having become convinced that the field too often comes crashing down when unethical behavior triggers a crisis of confidence.

Yinka Oyelaran, 26, said he was still considering working in the capital markets, but "I might need to re-evaluate what I am looking at" because that market seems "gone."

Those circulating among the booths here at least had the luxury of being able to forgo studies in troubled business fields. Off on business-school campuses, where many people had spent considerable time preparing for jobs they might now have trouble landing, administrators and faculty members scrambled to help students and recent graduates adjust their career plans.

Some experts on business education were even calling for business schools to rethink what and how they teach students, suggesting that the blame for the financial crisis may lie partly with instruction in flawed accounting procedures or a failure to teach business students to behave ethically.

"The problems go even deeper than the curriculum," said Rakesh Khurana, a professor of business administration at Harvard Business School and a prominent critic of business education. Business schools, he argued, "have actively fostered a mind-set among students" that business is about nothing more than the short-term pursuit of profits, which has "contributed to this culture of an uncritical view of the market" and helped bring about the financial crisis.

Vanishing Jobs

Many business schools began counseling their students about potential soft spots in the job market last

March, when it became clear that the Bear Stearns investment bank was in deep trouble, said Kip Harrell, an associate vice president of the Thunderbird School of Global Management and president of the MBA Career Services Council, an organization representing business schools' career-placement officers and businesses' recruiters.

Even at the time, Mr. Harrell said, students who were entering their final year of business school and wanted to go into finance were being urged to devise alternative plans.

Such advice came too late for many of the hundreds of Bear Stearns hires who suddenly found themselves without jobs. Fortunately for them, JPMorgan Chase, which subsequently purchased Bear Stearns, told student recruits they could keep the signing bonuses Bear Stearns had promised them, provided they agreed not to sue over rescinded jobs. JPMorgan also let such recruits use its career-counseling center and agreed to pay those who had accepted Bear Stearns internships for this past summer, said Lauren Francis, a JPMorgan spokeswoman. "We are currently evaluating our recruitment plans for 2009," she said.

Last week the job prospects for new recruits of the investment giant Lehman Brothers, which declared bankruptcy, and business students who had accepted job offers or internships at other troubled investment banks remained uncertain.

"A lot of students come to business school hoping to get into finance, and I think they are going to be particularly hurt by this," predicted Paul Oyer, an associate professor of economics at Stanford University's graduate business school, who has closely studied M.B.A. programs.

"We are bracing for a storm," said W. Carl Kester, a professor of finance and deputy dean for academic affairs at Harvard Business School, which typically sees nearly a 10th of each year's graduating class go into investment banking. The Harvard school was beefing up its efforts to coach students on interviewing techniques and other key job-searching skills, he said, based on the expectation that work will be harder to find.

Regina Resnick, assistant dean and managing director of the career-management center at Columbia University's graduate business school, said her institution had held a "town hall" meeting with students last week to advise them on how to deal with the latest market developments. Suggestions included working to maintain their networks of contacts and not limiting their job searches to specific geographic areas.

"The fundamentals of good career management don't change," Ms. Resnick said in an interview. "You have to stay focused, and focus on what you can control."

Lawrence M. Benveniste, dean of Emory University's business school, said he had noted a "pretty dramatic shift in interest" among students entering the school this year. Whereas about 40 out of the 200 students in last year's entering class were seeking to go into investment banking, only about 15 students in the current entering class have expressed an interest in that field, he said.

Trickle-Down Competition

The investment banks whose troubles made headlines last week tend to recruit many employees from top business schools—those generally ranked in the top 10 or 15. But Mr. Kester, of Harvard, predicted that "other schools are going to feel the ripple effects from this big boulder that has just been tossed in the pond" and that the competition for jobs outside of finance is also likely to intensify as students from top schools find themselves seeking less-prestigious positions than they might have sought in the past. As those students bump their counterparts from second-tier schools out of the running, he said, the students they have displaced will then lower their sights, causing a downward cascading of competition for open positions.

Ben J. Sopranzetti, an associate professor of finance and economics at Rutgers Business School, in New Jersey, helps place dozens of students in jobs each year. He said he was well aware of how students at his institution were likely to be affected by such a dynamic. He has already "had a heart-to-heart" with Little Investment Bankers of Rutgers, a student group with about 200 members, to warn them about a potentially rough job market, he said, and he plans to hold a meeting of the school's alumni next month to encourage former students to help out current ones.

"I honestly think the key is leveraging the alumni network and really empowering them in a way that, perhaps, they have not been before," Mr. Sopranzetti said.

Many business-school administrators and professors said they were optimistic that most companies would do everything possible not to cut back their recruitment on campuses, out of a belief that it is important for them to keep new talent moving up through their ranks. And, regardless of the economic picture, they did not expect the overall enrollment at business schools, which has increased every year since 1978, to stop rising anytime soon.

Flocking to Business Schools

As a rule, enrollment in business schools spikes during economic downturns, as people who find themselves with diminished employment prospects decide to spend their time acquiring new skills.

About 1,200 prospective students showed up for last week's business-school recruitment fair here, forming a line that stretched out the door and down the block. Among them was Daniel G. Day, a 27-year-old from Rockville, Md., who had decided to study international business after two years of trying to sell kitchen-remodeling jobs on commission. "No reason to be working eight hours a day if no one is buying," he said.

The same trend was reflected in the number of people taking the Graduate Management Admission Test. As of the end of August, the number was up 6.6 percent in the United States and nearly 22 percent abroad over the same period a year ago.

Partly because the weak dollar has made attending an American higher-education institution much more affordable for many foreign students, international enrollments in many M.B.A. programs are up sharply. Such students could account for up to 35 percent of the enrollment at the nation's top 30 full-time M.B.A. programs this academic year, up from 31 percent in 2007-8, according to the University of Rochester's William E. Simon Graduate School of Business Administration, which tracks such enrollment data.

Mark A. Zupan, the school's dean, said the number of students from India applying to his school had doubled, from about 150 to 300, over last year, helping to drive a 30-percent increase in the size of the entering class.

Asking the Big Questions

The economic turmoil will, at least, offer students some important lessons. "You learn a lot from mistakes, and professors are going to be very much active in engaging students in analyzing what happened here," John J. Fernandes, president of AACSB International: the Association to Advance Collegiate Schools of Business, predicted last week.

Philippe Jorion, a professor of finance at the University of California at Irvine's business school, said he devoted a class last week to discussing Lehman Brothers and the concept of credit risk. "What happened this week is really an extreme event," he said. Asked if last week's events amounted to a "teachable moment," he said, "unfortunately, yes."

On Monday of last week, at about the time the stock market was undergoing an initial plunge in response to the Lehman Brothers bankruptcy filing, Duke University's business school announced that it was establishing a network of campuses around the world as part of an effort to increase its global focus. Campbell R. Harvey, a professor of finance at Duke and editor of *The Journal of Finance*, said last week's market events reinforced his belief that Duke's business school had made the right decision in going global. Its students, he said, will be well prepared to work all over the world and thus will have many more opportunities available to them than students who have prepared themselves for jobs in New York.

Re-evaluating Curriculum

Experts on business education were divided last week over whether the curriculum of business schools should be changed in response to the mortgage crunch and the broader financial crisis it has spawned.

John Kraft, dean of the University of Florida's business school, expressed doubt that business schools could have taught their students anything that would have averted such developments. "I think the people at the top just did not read the right signals," he said. For a company to perform well, beat its competitors, and keep its shareholders happy, "you have to take risk," he said.

J.B. Kurish, associate dean of Emory University's full-time M.B.A. program, argued that a well-designed business-school curriculum should focus on teaching students to think broadly and should not be "dependent on what is going on in the business world at any particular moment." It also shouldn't be "that immediately responsive to what is happening in any one sector," he said.

But Philip M.J. Reckers, a professor of accountancy at Arizona State University and the American Accounting Association's vice president for education, said he expected the latest financial crises—and the role highly subjective accounting procedures played in it—to lead to changes in what accounting students are taught. "Every time there is some sort of scandal like this," he said, "you get reforms."

And Carolyn Y. Woo, dean of the University of Notre Dame's business school, said the role that dishonest mortgage transactions played in triggering the crisis points to the need for many business schools to place more emphasis on ethics.

Mr. Zupan said he planned this fall to bring to Rochester guest speakers who have been through rough business times in the past. "A downturn forces you to examine how much you really want this field over the long run," he said. In good times, he said, many people in it "don't go through enough philosophical examination about what you really want out of life."
