

# The risks of overselling MBA degree

An annual increase of over 25 per cent in the number of students appearing for the much sought after Common Admission Test (CAT) has been the trend in the past decade. An estimated 1.5 lakh students from various educational streams appeared for the CAT in 2004 and this figure rose close to two lakh students in 2005 – an increase of over 30 per cent in a single year. There is no doubt in the fact that the MBA degree is looked up to as a passport to success with a seven-figure salary taken for granted. The rise of B schools in the country vindicates the fact. Till 1991, there were just about 130 MBA institutions with about 12,000 seats that were approved by the All India Council for Technical Education (AICTE). Today, there are more than 950 AICTE approved institutions sending out over 75,000 graduates a year, second only to the US.

But does the coveted 'B' tag live up to its hype? What is it that students graduating with a MBA degree really expect at the end of it all? Do they then live up to these expectations by displaying the core competencies expected from them?

Over the past few weeks, we have been visiting MBA campuses across the country in our recruitment drive for a few corporates in the manufacturing, engineering, BPO and financial services domains. For the first time in all these years, we are noticing a major disconnect between the expectations of MBA students and their core competencies. Students appear to have pre-determined their worth in the job market and are vying for huge pay packets with no justification as such for the same. In a small private college in Mumbai for instance, students rejected an offer of an annual CTC of Rs. 4 lakh for a typical sales job. When asked as to why they were rejecting the offer, they said that they were looking for a job in a bank. When a leading bank (not our client) approached them with a retail banking job, students once again refrained from attending the interviews, stating that they wanted only an investment banking job and not a retail banking job.

On further investigation, we were told that the students have faculty mentors who advise them on the right jobs to choose. Unfortunately, these faculty mentors do not attend the corporate presentations and do not have any reliable data on the salary and job trends. In such a case, are the students receiving the best advice?

One reason for such a trend is that colleges themselves are playing a game of over selling the value of the MBA degree that they provide. Speaking to students post the recruitment session, it came to light that in fact colleges are encouraging students not to accept 'low offers'. This is being done so that they can quote these high campus placement offers to future batches and justify any hike in their own fee structure.

In this risk of over selling the MBA qualification, the loser is not only the student but ultimately the college and with it, the future batches of students. Colleges must realise that placement is as crucial as enrollment. In their haste to make a quick buck by quoting alumni passing out with big pay packets from campus placements, it would not be long before the consequences of over selling the MBA qualification catches up with them.

Let us first look at what a MBA qualification really does to a student.

Ask any MBA graduate who passed out in the past decade and they will tell you that you learn more from your peer group than you do from the theory doled out in the MBA program. Mr Murali Krishnan, an alumnus of the IIM-A '81 batch and currently a professor of accounting & finance at Yeshiva University, New York, says - "The actual academic or intellectual content of any MBA programme, top programmes in India or any in the US, I believe, is close to nil. Whatever transformation occurs is not because of the academic content but because of the social environment within a good business school. Which means that the faculty has little role as compared to the students. Yes. The quality of your MBA education is determined more by your fellow students than by the faculty. I think this is true for Harvard, Stanford or IIM".

The MBA as such does not transform you. Then why over sell it?

In a survey conducted in partnership with a leading weekly magazine and published in July 2005, about 1000 MBA alumni of the classes of 1993, 94 and 95 were contacted, to record their take on whether a business degree measures up to all the hype. The assumption was that – their performance, 10 years into their careers would show whether a classy B school proposition spelt success or not. While the survey vindicated the fact that the 'B' tag does live up to the financial expectations of most students, it does have its flip side. Sanjeev Gupta, an IIM alumnus for instance quoted in the survey that the B school did little or nothing for him and that he would have been where he was, even without the MBA degree.

Most employers expect MBAs to bring in experience with them and prefer to hire those who have completed their bachelor's, worked in an organisation and then went on to pursue their MBA. A MBA coupled with experience, they feel, delivers more value than just an MBA. This is the reason why most business schools across Europe do not entertain applicants who do not bring with them a certain minimum number of years of work experience. This however, is not the case in India where work experience is not a pre-requisite to entry even at the reputed institutions. The expectations of the students from the small private college in Mumbai mentioned earlier is therefore not justified but purely speculative.

Recently, we happened to meet the president – HR (Worldwide) of one of the largest banks in Europe who had come for the placement season at a top B school. At the end of the placements session he said "It is time to look for talent outside India in other developing nations. Indian graduates have begun to over rate their competencies and think too much of themselves". To add to the woes, another highly placed official from the leading private bank that we are recruiting for, quoted that - "We visit these top B schools during the placement season with no expectations whatsoever but just to make our presence felt and also to keep the relationship going."

Many students today are hiking their salary expectations to pay off the loans that they availed to procure a management admission. Compensation is therefore being driven by the loans rather than the competencies and this is not a healthy sign.

The students and the academia on the whole should realise that when the recruitment

boom stops and in the case of an industry downturn like the one that happened a few years ago, those people will be hurt the most whose contributions do not match their compensation. To put it bluntly, if you cannot justify your compensation, you will be knocked down. Finally, colleges must realise that – by making the salary envelope fatter just for financial gains, they will be doing injustice to the future batches. Companies that recruit on campus, if dissatisfied with the competencies of the recruits, will not hire from the same campus again. Thus, one good placement season in terms of salaries but not backed by talent will spell doom in the following years. Colleges have a responsibility towards the future batches as much as they do towards the current batches.

Isn't it time we stood up and took notice?

Comments like this are not just causes for worry but also need to be addressed. The IIMs today are headed to where the IITs are – which is, a talent pool for the international job market rather than the Indian market. They are becoming a brand rather than a talent house and this trend is fast spreading to the tier II and tier III institutions. This trend however cannot be blamed on the institutions but the misconception of the students graduating from them. The fact of the matter is that – Be it reputed institutions like the IIMs, or other management institutes or finally the MBA degree itself – they do not guarantee success. The question is not whether a MBA degree lives up to its hype but whether the realistic value of a MBA is dependent on the individual competencies of the graduates. Institutes like the IITs and IIMs have over the years stood by their values of providing quality education and they will continue to do so.

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