

Manager@Work: Softening economy fails to curb pursuit of MBA

February 9, 2009

Applicant demand for MBA places is at record levels in North America and interest in "green" issues such as corporate social responsibility (CSR) and non-profit organisations among MBAs is on the increase. There has been a gradual slowdown in recruitment demand, especially in financial services but, as yet, it has not been pronounced, as banks seek to maintain their entry pipeline of young MBAs.

"Despite the softening economy, the placement rate for our 2008 graduates is on a par with last year's graduates," confirms Allyson Moore, director of the Career Development Office at the Yale School of Management. "Historically, more than 50% of our graduating students have accepted full-time offers in the financial services industry, and it remains the top field of interest. However, this year, our students enjoyed particular success in consulting, with nearly one-quarter of our 2008 graduates entering the industry compared with 14% last year."

Indeed, most consultancies are still hiring MBAs in comparable numbers to the period before the subprime crisis hit. Many felt that they cut back too severely during the last downturn seven years ago, and they are wary of making the same mistake again this time around.

Learning lessons

Companies learnt lessons during the 2001 downturn, and so did MBA programmes. "As the economy tightens further, MBA career services offices will continue to innovate to ensure that students are well equipped to compete in this highly competitive labour market. The Yale School of Management has frequent conversations with recruiters and a clear sense of how the upcoming belt-tightening will affect our students," Moore explains. "We expect the investment banks to rely heavily on converting their top-performing interns into full-time hires, which will likely impact their on-campus full-time recruiting efforts this fall. However, last year, 100% of our first-year students who worked as summer associates for investment banks returned to campus with full-time offers. So, we remain optimistic about the upcoming recruiting season."

On the applications side, things are looking up as increasing numbers of students take advantage of a "break" in their careers to get an MBA, and the profile of candidates is broadening at the same time. Mae Jennifer Shores, director of MBA Admissions at UCLA's Anderson School of Management, says: "Not only are applications at UCLA increasing, fuelled in part by changes in the US and world economies, but the diversity of students applying to business school is widening. We find more individuals in the pipeline with backgrounds in government, not-for-profit firms and international agencies. The MBA is no longer seen as primarily a degree for those who wish to pursue careers in investment banking, consulting and consumer goods or manufacturing. Rather, the MBA is now recognised as a degree that provides a breadth of skills applicable to virtually any career, including those dedicated to social entrepreneurship."

Niki Healey, director of MBA Admissions and Recruitment at the Richard Ivey School of Business, in London, Ontario, says: "The credit crunch hasn't had the same impact on Canadian hiring that it had in the US job market and we've been fortunate that our 2008 placement rate has continued to track ahead of the results for our May 2007 class, a group that achieved a placement rate of 92%. We've heard from a small number of candidates that the credit crunch has influenced their MBA decision, but most candidates instead use personal factors like the desire to switch careers or develop a new skill-set as primary motivators to pursue an MBA."

Richard E Sorensen, chairman of the board at the accrediting agency **AACSB** International, agrees: "Employment of MBAs is an expensive proposition for corporations. When the economy slows, MBA recruitment is an area in which companies cut back. Here in the US, however, the number of recruiters on campus over the past two to three years has been increasing."

Many career offices agree that students in recent years have become savvier and more flexible in choosing their post-graduate careers. This, along with re-doubled efforts at career offices, has reduced the effect of the credit crunch on recruiting.

Ann Richards, at the Johnson School at Cornell, says: "We had a good employment recruiting year, for both internships and full-time employment, but the economy seems to be slowing. This means students may have to put a little more effort into their job search for the coming year. Many schools, including the Johnson School are encouraging their new students to begin Career Leader, a career counselling and self-assessment programme, before orientation, so they can hit the ground running when companies arrive on campus this fall."

New career destinations

North America is also seeing a shifting trend in career destinations. Several years ago, IT firms were the fashionable place to work. When the Internet bubble burst, traditional MBA career destinations, such as finance and consulting, returned to the fore. The big career trend at present seems to be towards social entrepreneurship. "It is definitely a growth area," confirms Peter Guilioni, executive director of the MBA Career Resource Center at USC Marshall, Los Angeles. "We are seeing significant growth in student interest in the public sector and non-profit space. It is a nod to the sense of social responsibility that is a very real part of how these students view their post-graduate careers."

At Columbia Business School, noted for its strength in finance, the social entrepreneurship club has more than 150 members. This is probably a generational phenomenon. Millennials, now the key business school demographic, are clearly more socially conscious than the generations that have preceded them. They volunteer more and are more interested in social entrepreneurship.

"This year, there are several 'hot areas' that experienced a nice uptick in student interest, most notably energy - clean tech, renewables, alternatives. We also noticed significant increased student interest in Leadership Development Programmes, which had seemed to fall out of favour for a few years but are definitely back on students' radars now," says Yale's Moore. For schools with programmes that focus on such issues, the trend is a blessing.

Says Shores: "The fact that the Millennials are largely interested in social entrepreneurship has been a real boon for UCLA Anderson. We have seen an increasing number of applicants who possess a strong track record of involvement in the community and a genuine interest in pursuing careers that allow them to give back to society in a demonstrative way.

"Our Price Center for Entrepreneurship has become a focal point for many prospectives interested in the public and not-for-profit sectors and who view the University and the City of Los Angeles, in which 98% of firms employ fewer than 100 people, as a natural destination."

Other schools are re-jigging their programmes to respond to this new demand. "Thinking about business as a transformative force for social change is a critical part of our mission at NYU Stern," insists Thomas Cooley, Dean at the New York University Stern School of Business. "Through programmes, including our student-run social venture fund and our Stern Consulting Corps, we provide our students with innovative outlets in which they use their business skills to make a real and lasting difference in the New York City community."

So, happily for those with hopes of attending an MBA programme in the near future, the credit crunch hasn't yet had a significant impact in on-campus recruiting at North American universities. Hopefully, the continued rise of oil prices and the impact of inflation on corporate US will not too seriously change this situation for the worse.