



WEEKEND ESSAY

# The 'golden passport' is stamped with hubris

The alumni of Harvard Business School are known as Masters of the Universe but their MBA model of management is fatally flawed

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Graduation day at Harvard Business School Below  
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Just like Brexit, the arrival of Donald Trump in the White House last year surprised more people than not. But should it have? The fact

of the matter is that Trump's election victory was merely the latest manifestation of the rise in populism that the financial crisis ushered in, not just in the United States but across the globe.

In a sense, we've seen this movie before. As far back as 1888, President Rutherford B Hayes wrote words that could as easily have been written in 2016: "This is a government of the people, by the people, and for the people no longer. It is a government of corporations, by corporations, and for corporations." Society responded then as now, with the rise of progressivism in the US, as well as a determined effort, from at least part of the establishment, to rethink its responsibilities to the rest of the population. The most profound and lasting change? The birth of graduate-level business instruction in the US, and the credential that grew out of it, the Masters in Business Administration, or MBA.



When the Harvard Business School opened its doors in 1908, it wasn't the first collegiate business school in the US, nor even the first to conceive of business education as a

Alumnus Sheryl Sandberg,  
chief operating officer of  
Facebook  
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graduate endeavour. Yet it was Harvard that awarded the first MBA degrees, and in doing so put itself at the head of an educational revolution that would sweep not just the US but the entire globe as well.

Its mission was to develop a heightened sense of responsibility among businessmen. More than a century later, it remains the most prominent graduate business school in the world, and its network of alumni the most powerful that the world of business has ever seen. Yet if the institution of the MBA remains a juggernaut, its mission has been a failure. In 1908, the MBA was the response to populism; in 2017, populism is the response to the MBA.

Having successfully grabbed the reins of power in almost every major industrial nation in the world, and then shoved an overly analytical worldview down the throats of the people, the cult of the MBA has been revealed as narrow, detached, reductionist and greedy. The only real shock is that the inevitable reaction somehow managed to sneak up on the establishment and its MBAs. Or perhaps it's not so surprising — Hillary Clinton thought that a crystal ball built out of spreadsheets

could see the future, and she ended up as disconnected from the electorate as the modern MBA is from the people they oversee.

However, you wouldn't know that if you lived inside the bubble of the Harvard Business School, where the uncomfortable sounds of inequality are practically inaudible. Set in splendid isolation across the Charles River from most of the rest of Harvard University in Boston, the school was founded despite the reservations of many of the august university's faculty. One literature professor expressed the prevailing sentiment: "What? Sully the robes of Chaucer and Shakespeare with seekers of gold?"

A century later, HBS has become the tail that wags the dog, a financial powerhouse with more than \$700 million in revenues and generous alumni donors who fund new buildings in their name to the tune of \$50 million. Each year, 1,000 new MBA students arrive, all of them willing to pony up the more than \$100,000 a year it costs to attend — \$72,000 in tuition fees plus room, board, and

course materials — signing on to a gruelling workload of “leadership practice”.



Jeff Skilling, the disgraced former CEO of Enron, also attended the school  
PAT SULLIVAN/AP

With an average age of 27, most MBA students have had three to five years of work experience to their name, but it's what comes after Harvard that matters. In 1978, *The New York Times* correctly described a Harvard MBA as “the golden passport to life in the upper class”, and it

remains precisely that. The roster of prominent alumni of the school — colloquially known as Masters of the Universe — is as long as they come. There are more billionaires with HBS degrees than from any other business school — 18 at the last count — as well as more CEOs of the world's largest companies.

Among their number are the former New York mayor Michael Bloomberg; Wilbur Ross, the US secretary of commerce; the former US treasury secretary and Goldman Sachs CEO Hank Paulson; sitting CEOs Jamie Dimon (JPMorgan Chase), Stephen Schwarzman (Blackstone), Jeffrey Immelt (General Electric); hedge fund titans Ray Dalio and

John Paulson; and Facebook's chief operating officer, Sheryl Sandberg. The roster of alumni running British companies is impressive, too, and includes CEOs Vittorio Colao (Vodafone), George Weston (Associated British Foods) and Sir Martin Sorrell (WPP).

There's even something here for the sports fan. The most high-profile hire of a visiting professor at HBS in recent years was none other than the former Manchester United manager Sir Alex Ferguson. Considering Ferguson's lack of academic or teaching credentials, the hiring was a rare demonstration of the school's nakedness of purpose. The school isn't about leadership or social responsibility, no matter what it says; it's about winning, and Ferguson knows a thing or two about that.

There is an argument to be made that the distinguishing factor of Harvard is that it has always been better than any other business school at recruiting those students most likely to be successful, but the fact is that the programme does leave an unmistakable imprint. Those who emerge tend to be confident, well-spoken, analytical powerhouses who are willing to sacrifice pretty much anything to be successful.

The problem is that the school shapes not just the direction of its graduates' lives but also those of the organisations they work for, the economies those organisations are part of, and ultimately, society itself. And even if it has an almost uniformly positive effect on the lives of those connected to it, it has for some time had a much less salutary effect on everything those people touch. The skills it bestows on its graduates — a detached analytical approach to problem solving, with efficiency and reductionism raised above quality and creativity in the hierarchy of values — have made us all poorer for their success.

The chief flaw in the Harvard MBA system is arrogance. HBS imbues its graduates with the arrogant notion that management is a transferable skill, like driving, and that having pretended to manage for two years, they are now ready to go somewhere and take charge. Worse still, it imbues them with the sense that leadership is something that can be purchased, instead of it being an emergent quality that reveals itself (or doesn't) in the moment at which it is needed.

Another flaw, which might surprise: the product has never actually been proven to work. That is, no one has ever shown that



The appointment of Sir Alex Ferguson as a visiting professor proved the school's interest in backing winners

NICK POTTS/PA

there is a direct relationship between management education and corporate competitiveness. People started buying it when they saw other people buying it, and despite paltry evidence that an MBA confers anything other than some rudimentary analytical and

communication skills upon those who have earned it, they have never stopped buying it. This has been true even when periodic MBA-led moments of managerial insanity have shown them to be flailing around in the dark as much as anyone else. Wall Street loves MBAs for their analytical detachment, but that separation from the real-world consequences of their actions is the very source of the financial world's regularly occurring convulsions.

A third flaw is the subtlest, and is caused by HBS's pedagogical method of choice, the case method. Students at HBS don't learn via lecture, they learn via class discussion, and in doing so are taught how to think on their feet, to speak boldly and extemporaneously on the

corporate decision-making puzzle of the day. There's nothing wrong with learning to think on your feet; we could all use that particular skill at some point or another. Yet HBS fell too much in love with its method, and has overemphasised the wrong part of learning.

The school claims that it teaches its students how to think, not what to think. They certainly do the first, and with much success; ask someone who knows a Harvard MBA about their greatest skills, and you are almost certain to hear about their ability to make decisions with imperfect information, uncertain outcomes, and tight deadlines. But HBS is wrong about the what — it most certainly teaches its students a significant portion of what they think when they're making decisions. Worse yet, a dangerous portion of the what is implicitly assumed, not just by the students but by the faculty too. One assumption is that management is apolitical. When HBS's current dean Nitin Nohria was being interviewed on the public television network PBS in January 2015, he said, as if reminding his interviewer of an accepted fact, that "business is the greatest force for good in society". But is it, really? According to whom? And by what measure?

When the school tells students that there is no one “true” answer to a case study, that’s meant to give them the courage to speak out in class, but it likewise confers on them a sense of moral ambiguity that flies in the face of life itself. Sometimes, there is one answer that is more right than all the others.

Consider their cherished case study about the HBS alumnus James Burke, the CEO of pharmaceutical giant Johnson & Johnson in the 1980s when tampered bottles of Tylenol containing poison killed several people in the US. Burke sensibly ordered all bottles of Tylenol to be immediately recalled, and the school hasn’t stopped touting his sense of social responsibility since. The man surely acted responsibly, of that there is no question. The problem lies in the sense that he should be relentlessly praised for doing the only thing he could do.

The case method is also backward looking. Ask most MBA students today what they want to do when they graduate, and the majority will tell you they want to get in on the technology gold rush. Many find their way into companies through the side-door of finance, starting in private equity or venture capital before spotting an opportunity. But do

Harvard MBAs make good entrepreneurs? Some definitely do, although a significant proportion of those businesses have been in finance as well. Silicon Valley likes its MBAs more than it used to, but they're not generally being hired for their imagination, rather for their ability to measure and analyse just about anything that can be measured in a company.

Among large technology companies, the one with the most hunger for MBAs is Amazon, and for obvious reasons: it is a scale operation, where competitive edge comes from driving down costs. Steve Jobs of Apple disdained MBAs. His successor, Tim Cook, has one. If Apple has continued to prosper in the Cook era, it also hasn't stunned the world into an awed silence at the marvels of its creativity in some time.

What do you think would happen if an organisation bet the house on the supposed benefits of the MBA? Well, a thought experiment isn't necessary, because they did one in the real world and we know how it ended. That organisation was Enron, which collapsed under the weight of a massive fraud led by HBS graduate Jeffrey Skilling. One of the modern corporate world's great liars, Skilling was actually telling the truth when he

said, “Harvard Business School doesn’t teach you accounting or finance . . . They teach you how to be convincing.”

Skilling downgraded the one thing that is important at any enterprise — actually knowing what you’re doing — in favour of the rest of it. Enron excelled at negotiating, at making optimistic forecasts, and at financial engineering. At the end, the company was more concept than reality, with the future overemphasised at the expense of the present. The talkers took over from the doers, and they talked until there was nothing left to say.

So why does this factory keep running, with no trouble finding new customers for its product? One of the secrets to the school’s success during its century of existence is that it has perfected the art of the pivot: it has an almost unbelievable ability to earnestly present itself as the solution to problems it helped create. Even though the fingerprints of Harvard MBAs were all over the financial crisis of 2007-09, that didn’t stop the school’s then dean from arguing for a central role in figuring out how to avoid something like it from happening again.

Ironically, the

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**Enron's Jeff Skilling was telling the truth when he said the school 'doesn't teach you accounting or finance... they teach you how to be convincing'**

school was celebrating its 100th anniversary at the moment the sum total of its influence was being shown to be highly questionable, if not much worse. The global economy was on the brink of

collapse, and fingers were being pointed not just at the world's MBAs, but at Harvard in particular. At the moment of collapse, HBS graduates included President George W Bush; the secretary of the treasury, Hank Paulson; the head of the securities and exchange commission, Christopher Cox; and the heads of several large financial institutions that both caused the crisis and failed due to it.

How did all of this happen? The way it always does: the money got too good. After helping lay the foundations for American managerial superiority in the middle of the 20th century, the Harvard Business School became (and remains) so intoxicated with its own

importance that it blithely assumed away one of the most important questions it could ask, which was whether the capitalist system it was uniquely positioned to help improve was designed properly for the long term.

Today, with economic inequality at a 100-year high and meaningful progress on climate change and other social and environmental issues embarrassingly paltry, the answer to that question is obvious. It is not. That a single French economist, Thomas Piketty, has done more in the past decade to focus attention on inequality than the entire faculty of the wealthiest business school on the planet is as concise an indictment of the institution as one could ask for.

*Duff McDonald is the author of **The Golden Passport: Harvard Business School, the Limits of Capitalism and the Moral Failure of the MBA Elite**, published by HarperBusiness, £25*

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