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Economy’s Impact On MBA Applications: 4 Deans, 4 Views

MBA programs are known to be “counter-cyclical” in popularity: When the economy is good, interest in getting a graduate business degree drops. When the economy dips — or recession strikes, or a worldwide pandemic disrupts the global business and academic paradigm — interest in going back to school heats up.

Ohad Kadan, the incoming dean of ASU Carey School of Business;

Raghu Sundaram, dean of NYU Stern School of Business;

Isabelle Bajeux-Besnainou, dean of the Tepper School of Business at Carnegie Mellon University,

each offered their views of the current economy and its impact on applications to their MBA programs.

Isabelle Bajeux-Besnainou, dean of the Tepper School of Business at Carnegie Mellon University, says the strong economy through 2021 and into 2022 may have dampened U.S. applicants’ interest in MBA programs at some graduate business programs, but the Tepper School has not seen a downturn at all — and actually saw a big jump in international apps.

“It is counter-cyclical, for sure,” she says of MBA application patterns. “Now we’re not only competing with other top business schools, we’re also competing with the employers, the corporate side. It doesn’t make sense for a lot of people to leave their jobs, especially on the domestic front. But we actually saw more applications. International, a lot more.

“The challenge is more on domestic side because the competition is there from the corporate world now, and employers are doing whatever they can to retain their top talents. So, that’s the countercyclical. What’s going to happen in the future? I don’t know. None of us do.”

A lot of people are talking about a recession, Bajeux-Besnainou says. However, “When I think about the U.S., I think that this is the country that is in the best position at this point.” Europe, she notes, is in a difficult situation with the war in Ukraine.

“We see a lot of increase in the international applicants from India and from China — a huge increase,” she says. The challenge, she adds, in addition to finding the right balance in each MBA class between domestic and international students, is that international students need more help to find jobs.

Ohad Kadan takes over as dean of the W.P. Carey School of Business at Arizona State University this summer. After 20 years as a finance professor at the Olin Business School at Washington University in St. Louis, he’s seen lots of economic ups and downs, and he maintains optimism about the strength of MBA programs in the U.S. amid the strong current — and possible weak future — economy, fueled at the moment by international interest.

“Full-time MBA program is counter-cyclical,” says Kadan, echoing his fellow deans. “And the economy has been very strong recently post-Covid — let’s called it post-Covid, though Covid is not over by any means. And so domestic U.S. students have a lot of hope. I mean, why would you give up two years of your income, basically, to go to school when there’s so many opportunities out there?

“So we do see that. I mean, I can see it in my current school and my incoming school I’m going to. And it’s well-known that most schools are experiencing this decline in domestic application. You see still strong applications from international students.”

The question, Kadan says, is how to strike the right balance.

“Especially with MBA and we’re talking about full-time MBA now, how do you create a balanced class that has the right level of diversity?” he says. “So given that the number of applications from domestic students is declining, it’s a balancing act that you need to go through. That’s what I do see.”

Arizona State Carey, ranked No. 34 by Poets&Quants and No. 29 by U.S. News, is widely seen as a school on the rise when it comes to its full-time MBA. The economy — good, bad, or good and bad — will determine whether that trend continues.

“Going forward, it really depends on what’s going to happen with the economy,” Kadan says. “While full-time MBA is counter-cyclical, the part-time programs like evening MBA and executive MBA are kind of pro-cyclical, meaning that if the economy is good, you’d see more of them. If you have a job, you’d be able to spend some money on getting your evening MBA or executive MBA, or companies would be more likely to sponsor this.”

There is much uncertainty, but like Lilian Mills, Kadan sees strong interest in graduate programs from international applicants. And he sees a major advantage in the school’s location in the growing and thriving Phoenix, Arizona area.

“Nobody knows if we are going to have a serious recession,” he says. “Obviously, there is some slowdown in the last few weeks and we are facing significant inflation, and so the cost of living has been going up quite significantly. How exactly it’s going to affect our demand, especially for graduate education, it’s hard to tell. I do not see a decline in the number of applications from international students, either for MBA or specialized master’s programs — I don’t see the decline. The demand for undergraduate education is very steady, even strong.

“So I’m optimistic. W.P. Carey is located in a metro area that is very strong — the migration into the Phoenix region is just mind-boggling, both individuals and companies migrating into this area. For a business school, that is very important. Interaction between the business school and businesses is very important. And when the business ecosystem is growing and thriving, that’s very strong. That’s very good for the business school. So I have very high hopes for W.P. Carey and ASU being located in such a thriving and growing metropolitan area.”