

What's an Online MBA Worth?

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You've seen the ads in pop-up windows and in the borders around your e-mail inbox: "Earn an MBA online for \$7,000, no GMAT required!" If you've ever been tempted to apply for an online MBA or hire someone who had one, come-ons like these are enough to squelch the urge on the spot.

But then there are stories like that of Jim LeMere, 39, an insurance-company executive who earned an online MBA from [Indiana University's Kelley School of Business](#). The institution (No. 15 in *Business Week's* B-school rankings) held him to the same admission and grading standards as its full-time MBA candidates, taught him with the same curriculum and same teachers, yet allowed him to attend class on his schedule. Oh, and he got to keep his job. "I traveled a lot, was relocated to Atlanta, and was eventually moved back to Indiana. Kelley moved with me the entire time," LeMere says. When he graduated in 2004, a rival firm poached him, promoted him to vice president, and doubled his salary.

In addition to the Kelley School, [Carnegie Mellon's Tepper School of Business](#) (No. 19 on *Business Week's* ranking) now offers an online MBA, and [Duke University's Fuqua School of Business](#) (No. 8) offers a hybrid course that combines online and classroom learning. The online MBA neighborhood is gentrifying even at the mass-market end, dominated by for-profit B-schools like [University of Phoenix](#) and [Kaplan University](#). In January, Jack Welch lends his name and prestige to the new [Jack Welch Management Institute](#), a \$21,600 MBA track that doesn't require test scores for admission or on-campus attendance.

In short, the lingering image of online business schools as diploma mills is oversimplified, to say the least. True, no virtual MBA can make a recruiter's heart race the way a Harvard or Wharton sheepskin can, but that's an exceedingly high hurdle. The real point is this: In the right circumstances, an online MBA can indeed boost your career (and hiring someone bearing one can indeed help your company). It's all a matter of matching your skills with the right program at the right stage of your career.

Not All Online MBAs Are the Same

In the hierarchy of virtual MBA programs, there is one key caste distinction. On the mass-market end are online-only schools like University of Phoenix — for-profit businesses that admit anyone who can pay the tuition of \$20,000 to \$30,000. On the elite end are online programs at brick-and-mortar educational institutions, including Duke's Fuqua and Indiana's Kelley, which have equally stringent entrance requirements for their online tracks as for their residential ones, including GMAT scores

and minimum years of work experience. Their programs cost anywhere from \$7,065 (Chadron State College in Nebraska) to \$135,500 (Duke's Fuqua School). Note that online MBAs at brick-and-mortar schools aren't any cheaper than full-time programs at the same school; in fact many are more expensive because of technology, lodging costs during campus visits, and extra hours required of faculty.

As resume-polishing credentials, the Kaplans and Phoenixes have two crucial drawbacks. The first is their lack of selectivity — with all that implies about the quality of the student body. Recruiters assume that candidates who could ace the GMATs, deliver a straight-A undergraduate transcript, and produce a sheaf of glowing recommendations don't go to schools that ask for none of these. Add to that the online-only schools' inability to win accreditation from [AACSB International — the Association to Advance Collegiate Schools of Business](#), the gold standard of business-school endorsements. These schools consistently come up short on their investment in recruiting and developing faculty, according to John Fernandes, president of AACSB. "They spend a lot less on faculty than a traditional, AACSB-accredited school," he says. "They're trying to manage volumes of students, and top programs are about the opposite. They're about limiting access to a few potentially outstanding students and placing them with outstanding faculty." (Some for-profit schools are accredited by regional boards, but those agencies are not specific to business programs. For more on accreditation, see "[Choosing an Online MBA Program](#).")

The online MBA tracks at brand-name business schools are a different story. In order for a school to be AACSB accredited, every business program it offers — including online degrees — must adhere to the board's standards. To keep their accreditation, these schools must make sure their online curricula mirror that of their brick-and-mortar programs and are taught by the same faculty. Most of the programs also require students to spend a few days on campus every year. Such schools now account for nearly one in three online MBAs awarded, but their market share is growing: The number of AACSB-accredited business schools offering some kind of online MBA track has grown from 19 in 2002 to 68 today.

Why would a respected business school go online? Because that's where the money is. Corporate middle managers who would rather not leave their jobs to attend a full-time MBA program are a huge, barely tapped market. Kelley launched its online MBA 10 years ago, according to Eric Richards, chair of the school's online MBA unit. "Since then," he says, "we've grown from 139 students to more than 1,500." And those 1,500 are a rewarding addition to the student body: They pay roughly \$54,000 for their online degrees while Kelley's 470 residential students pay \$51,000 (in state) or \$89,000 (out of state) for theirs.

Can You Really Learn This Way?

Some time in 2011, the Stanford Graduate School of Business hopes to complete the construction of its new headquarters, the \$350 million Knight Management Center. Bristling with communications technology, the facility is designed to further the school's mission of collaboration, including more "team-oriented space" and wireless projection technology that will bring business leaders from far-flung locations into the classroom. What's not included: Plans to integrate any sort of online

learning. The same goes for the MBA programs at Harvard, MIT's Sloan School, and University of Chicago's Booth School.

The ultra-elite's resistance to distance learning makes intuitive sense. How can sitting in front of a computer compare, say, to the intense, 90-minute case-study lectures at Harvard Business School, in which students do 80 percent of the talking and well-known business leaders often show up in person to spur conversation? Technology like digital blackboards, Web conferencing, and Skype make collaboration and class participation easier for students in online programs, but the experience is not the same.

Moreover, one of the biggest career benefits of a full-time MBA program isn't the time spent in the classroom but the personal network you create. Would Sergey Brin and Larry Page have bonded over Skype the way they did in their Stanford dorm room? Would Alex Rigopulos and Eran Egozy have dreamed up *Guitar Hero* and *Rock Band* had they been teleconferencing rather than sharing ideas at the MIT Media Lab?

That said, the notion that online study is inferior study is not borne out by the evidence. "There is a growing body of evidence that suggest that the quality of online learning outcomes — how students test — is actually better than that of face-to-face instruction," says Peter Shea, former head of the online education system for the State University of New York. Shea points to a [Department of Education report](#) released in August. Examining a 12-year span of studies completed mostly in college and adult-education programs, the report shows that students in online-learning conditions performed *better* on tests and earned higher grades than those who received face-to-face instruction.

Kelley's Richards says that's because an online environment creates more opportunity to digest the material, and students don't have to fight to communicate. (In class, the one who raises his hand first gets to answer. Online, everyone gets time to formulate and post an answer.) "Deep learning — if it's long-term learning — has to be with material you've wrestled and grappled with, where you reframe it in your own words," he says. "There's a very limited opportunity to do that in [the classroom]." He adds that because online courses are so new, many professors develop them with course consultants, which means they are often more rigorously designed.

John Gallagher, associate dean for executive MBA programs at Duke's Fuqua School of Business, points out that the demographics of online students may also account for some of the difference in outcomes. Like many online students, Duke's Global MBA candidates tend to be more senior and experienced. "A 40-year-old manager brings a lot more to the table than a 28-year-old," he says, "so, the nature of the work they do is different."

Besides, for most of those 40-year-old managers, taking two years off from family and work to hang out on campus simply isn't an option. If that's where you are in your life, the real question isn't whether an online MBA is better than a residential one; it's whether an online MBA from an accredited program is better than none at all. The answer will depend on circumstances. But whether you would learn anything in getting the MBA should not be an issue.

Can an Online MBA Help You Get Ahead?

Despite the research supporting online education, recruiters and hiring managers still see an online MBA as a second-class credential. In its [2009 Corporate Recruiters Survey](#), the Graduate Management Admission Council (GMAC), the nonprofit organization that administers the GMAT, reported that only 9 percent of companies surveyed actively recruit candidates from online MBA programs, as opposed to the 77 percent that pursue full-time MBA grads. Gail Dundas, a spokesperson for Intel Corp., captures the prejudice in an e-mail: “We target hiring from top-tier MBA universities, and online degrees do not tend to be in the top tier.”

Still, how recruiters and hiring managers might view your MBA depends a lot on the job move you’re trying to pull off and how the degree fits into your resume. If a business-school degree is most of what you have to offer as a job candidate, and you need one that tags you as among the best and the brightest, then an online MBA may indeed be the wrong choice. You’re best off seeking a brick-and-mortar institution, preferably one with plenty of ivy on the bricks.

If you’re instead looking to advance in an already-established career, as most online MBA candidates are, a degree from an accredited business school can only help. “An advanced degree from the big-name business schools will always get you into the interview,” admits Barry Shulman, founder of Shulman Associates, an executive search firm in San Francisco that works with GM, MetLife, and Oracle, among others. But, Shulman adds, it won’t by itself get you the job. He doesn’t hesitate to recommend executives with online MBAs for positions, and he points out that hiring managers usually place more emphasis on experience than on the brand of MBA — an equation that benefits the typical online degree holder.

As online MBAs become mainstream, recruiters’ prejudices will erode further. Indeed, Bernard van der Lande, a director at executive search firm Stanton Chase International, goes so far as to say online MBAs in some cases may have an advantage over their full-time competitors, thanks to their pool of international classmates. “You’re sitting in Michigan and you have to work a case study with someone in the Middle East and someone from China — that’s fantastic,” says the Fortune 500 recruiter. “Corporations that do international business want folks who can see the world from a global point of view.”

Should You Ever Consider a Nonaccredited MBA?

By and large, a degree from a for-profit online-only institution won’t do much for your resume. But depending on your job goals, that may not matter.

Heather Fenstermaker, a 27-year-old administrative assistant at an investment firm in Bellingham, Washington, chose Kaplan University’s for-profit MBA program to help her launch her side business, [Swell](#), an eco-friendly clothing store. Kaplan helped her create a business plan, which she needed to obtain funding from her local bank. Today, Swell is eight months old and has seen a steady increase

in monthly sales. Fenstermaker recently augmented her brick-and-mortar flagship store with an online store using customer-retention concepts from Kaplan's online marketing course. "Kaplan helped turn the concept in my mind into a solid business plan," she says.

The value proposition in outfits like Kaplan and University of Phoenix is to swap prestige for convenience. The average tuition — \$20,500 — is less than half that of top brick-and-mortar institutions. You can start at almost any time, since both offer rolling admissions roughly every six weeks. And academic qualifications — or lack thereof — are no barrier to enrollment. "The most frequently asked question on my site is, 'Where can I get an online degree where I don't have to take the GMAT?'" says Vicky Phillips, founder of GetEducated.com, which ranks online colleges. "The Internet is all about convenience, and folks want their education — fast."

It's not clear how much the new Jack Welch Management Institute will lift the image of schools at this end of the market. JWMI's two-year curriculum, designed for corporate middle managers around the globe, will be modeled after GE's Management Development Institute at Crotonville, New York, which emphasizes learning as doing. Rather than poring over Harvard case studies, students will work under emeritus professors from Harvard and will be dispatched to companies around the world to help managers solve real problems. Welch, who helped design each course, will deliver a weekly podcast lecture. He has also tapped Noel Tichy, the director of the global leadership program at the University of Michigan, to run the school. The goals, as Tichy describes them, are pretty ambitious. "What Welch and I are focused on," he says, "is developing leaders who can drive growth and change and figure out what it takes to lead a 21-century organization."

Still, the turning point for the online MBA's reputation probably won't arrive until graduates of the programs start to land prominent leadership roles at the nation's biggest firms. Until then, the online MBA is likely to remain a good springboard for a mid-career job change or salary boost, but an otherwise underappreciated asset, fighting an image problem with recruiters and ignored even by the organizations that rate schools. Kim Clark, a senior education writer with *U.S. News and World Report*, says her publication has no plans to rank online MBA programs. It's an omission that Clark admits might one day seem shortsighted. "It's certainly, true," she says, "that the perception of online MBAs might lag the reality."

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