The Value of an M.B.A. Degree

Ronald Shiffler

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The value of an M.B.A. degree

The letters M.B.A. stand for Master of Business Administration and represent three of the most powerful letters in the business world. Why is that and what is so special about an M.B.A. degree?

A quick history lesson might answer the first question.

Most business schools were established after 1950. While specialized degrees in economics were common long before 1950, the study of business didn’t fully touch all areas of business. Plus, the majority of undergraduates who were hired by corporate America in the 1950s, ’60s and early ’70s earned degrees in the arts, sciences, engineering or education.

Nowhere in the curricula for those degrees could one find topics specific to business.

Thus, the need for a general master’s degree that covered the basics of business was paramount. Voila! The M.B.A. was born.

Fundamental material in accounting, finance, marketing, management, operations, quantitative methods, strategy (it was called “business policy” in those days), data processing (nowadays we use fancier terms such as “information technology”) and more were combined to form the core curriculum of the degree called Master of Business Administration.

What the degree ensured to those in the industry was that an M.B.A. would be well-versed in all functional areas of business and could be promoted to higher level positions. Broader skills and an understanding of all aspects of how companies operated were required at top positions in organizations.

Hence, the M.B.A. became the degree that opened doors for advancement in the business world.

If you are considering going back to school to earn an M.B.A., consider the following value propositions:

1. An M.B.A. is the most efficient and comprehensive “package” of business knowledge and skills available. You will learn all the vocabulary, principles, processes and key documents that drive businesses today and into the future.

2. Unfamiliar with a balance sheet or an income statement? You’ll learn about them in accounting and finance classes.

3. Are the terms SWOT and strategic plan second nature to you? If not, you’ll learn more about these in a strategic management class. The four P’s of marketing? Regression analysis and trend lines? Enterprise resource planning software? The time value of money? Leadership styles? Myers-Briggs personality types?

I could continue to name basic concepts in a standard business curriculum and you could run to Google and get a quick understanding of them, but the point is this: For you to advance in your career, for you to be credible, for you to make correct decisions that might affect many people, you simply have to speak the language of business and understand the proper context.

Second, M.B.A. programs teach students how to manage money. Stated another way, students learn the most efficient ways to use money in all areas of business. From managing production and distribution costs to handling payroll to promoting sales and marketing, the M.B.A. looks at company functions in terms of cash flow and profit.

Money is the language of business, and an M.B.A. curriculum teaches students how to communicate properly, efficiently and ethically.

Third, the premier worldwide business accrediting agency, the Association to Advance Collegiate Schools of Business (AACSB International), has ensured the M.B.A. degree you earn from an AACSB-accredited business school meets uniform standards of excellence.

It’s akin to knowing that the Big Mac you eat in Savannah, Shanghai or Stuttgart has the same ingredients and is subjected to the same standards of quality. An M.B.A. from an AACSB-accredited school must include the same “ingredients” and conform to the same standards of quality regardless of where in the world you earn that degree. For what other degree — bachelor’s, master’s or doctorate — or what other discipline — physics, pharmacy, philosophy, etc. — can that statement be made? Do bachelor’s of arts degrees in literature meet a uniform quality standard the world over? How about master’s of engineering? Or, a doctor of dental science degree from a university in any country on any continent?

If you believe that we live in a global economy, then you may be assured that the knowledge, skills, abilities and attitudes that you gain from earning an M.B.A. degree granted by an AACSB-accredited institution are current, consistent and comprehensive.

An M.B.A. can be your key to a successful future in business. The College of Business Administration at Georgia Southern is an AACSB-accredited business school and offers a face-to-face M.B.A. program at the Coastal Georgia Center in Savannah as well as an online M.B.A. degree for on-the-go working professionals.

Is an M.B.A. degree in your future?

Ronald Shiffer is the dean of the College of Business Administration at Georgia Southern University. He can be reached at shiffer@georgiasouthern.edu.

Proposed tax deflates CRE recovery

The U.S. House of Representatives recently passed a bill (Barrow, aye; Kingston, no) related to unemployment benefits, COBRA and Medicare that could have a negative effect on commercial real estate development.

H.R. 4213 — American Jobs and Closing Tax Loopholes

Act of 2010 — changes the way carried interest is taxed. Typically treated as long-term capital gains, carried interest is taxed at 15 percent. The new code would treat it as a mixture of capital gains and ordinary income. This could increase the tax rate to as much as 38.5 percent.

Carried interest is typically viewed as investment gains paid as compensation to managers of hedge and private equity funds, Congress’ assumed target for the legislation. Unfortunately, the change would also affect members of real estate ventures that are set up as limited partnerships and limited-liability corporations.

According to the Real Estate Roundtable (rer.org), an industry policy group, real estate accounts for 46 percent of these 2.5 million partnerships and totals $1.3 trillion in equity. This includes large portfolios, but most are one- and two-owner organizations.

Carried interest in real estate ventures has been paid to the general partner while incurring significant risk and liability inherent in real estate development. The general partner might be the single member of an LLC or a small-business owner. So every mom-and-pop owner of strip malls, office buildings and warehouses of business-minded taxpayers increase by 150 percent at the time they decide to sell.

Go, no-go decisions

Tax consequences and exit strategy are key factors for developers. With profits already thin in the current economy, this new tax implication could be a deciding factor in whether a property is purchased or land is improved. This is especially true for smaller development partnerships that could not pass on the potential increased costs to its equity partners. Just like choosing between bonds or stocks based on their potential return, developers have to make a decision at the time of return and a certain amount of risk they are willing to take.

Reduced new investment and construction equals a continued drag on commercial real estate values and the economy in general.

Negotiations continue

At the time of writing this article, it is still being considered in the Senate. Though similar proposals failed in 2007 and 2009, many are concerned that it has a chance to pass this term. Both parties are trying to water down the amount and timing of this legislation.

All of the national commercial real estate associations are opposed to the bill and are lobbying hard against it as they believe it threatens the industry and is an unintentional target of the legislation.

Rex Benton is a commercial adviser with NAI Savannah, a division of a degree from a university in can be reached at 912-238-0874 or, to get commercial real estate updates as soon as they happen, e-mail “UPDATES” to rbenton@mopper-stapen.com.

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