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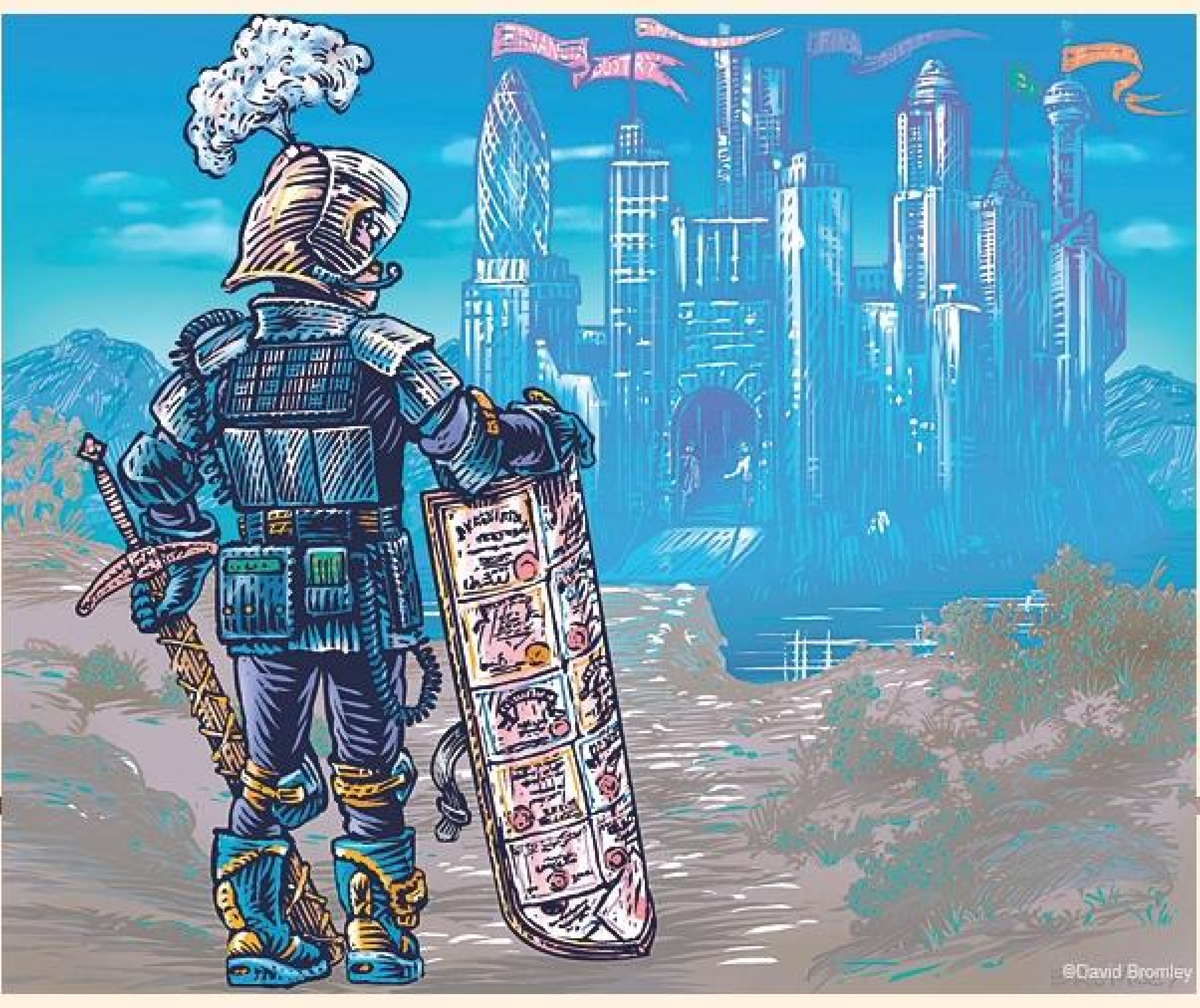
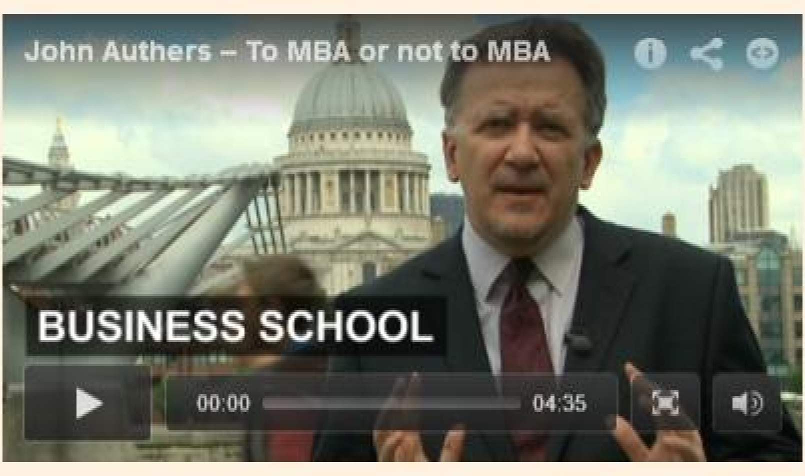
Financial training must learn lessons from Great Recession

By Emma Boyde



Business education is itself a business, so it is not unusual to receive a marketing spiel when enquiring about a programme. Just occasionally, however, it is possible to detect a sense of urgency from an academic who feels he or she is on a mission.

For Massimo Massa, professor of banking and finance at Insead, the sense of urgency relates to the need for more knowledge of the world of finance. "The crisis changed things," he says. One of the main messages to emerge from the catastrophic events that led to what is being referred to as the "Great Recession", is that managers had been authorising financial deals they did not understand. "They were ashamed to ask how they worked."



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Prof Massa sees a perfect storm brewing, in which the complexity of the financial system must be balanced against a pressing need to provide for an ageing global population.

Financial education, he says, should no longer simply be aimed at generating profits. It is now crucial for reducing risk and generating wealth. Ageing populations are relying on money they have set aside. "How this money is managed is crucial."

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Insead's response was to join other business schools, especially in Europe, that already offered such programmes to provide a master in finance programme. Launched in 2013, it is aimed at professionals with four to six years work experience. It is a departure from Insead's traditional offerings – MBA programmes and short courses for executives – and is a determined attempt to produce professionals who can work in a strategic role within the financial services industry.

Prof Massa envisages them taking on jobs as divisional managers in banks or as partners specialising in finance in a consultancy.

Despite Prof Massa's sense of mission, the latest application trends survey from the Graduate Management Admission Council (GMAC) published annually in September might indicate poor timing. More than half (53 per cent) of schools surveyed in 2013 reported fewer applications for master of finance programmes against 42 per cent reporting a rise in interest.

The drop in interest is in marked contrast to the previous four years, which all saw more schools reporting a rise in applications than a fall. This is a trend that peaked in 2011, when 83 per cent of schools reported a rise in applications against just 17 per cent reporting a fall.

The figures are partly indicative of an increase in supply – GMAC data also show that 32 per cent of graduate management admission test (GMAT) score reports went to specialised masters programmes in the 2013 testing year, up from 20 per cent in 2009.

But the fall in interest is also borne out by a similar dip in the number of candidates registering to study for exams that lead to a qualification as a chartered financial analyst.

After a steady rise from 173,716 registrations in 2008 to 219,642 in 2012, the CFA Institute, which administers the exams, says registrations in 2013 fell to 212,129.

Nitin Mehta, managing director of the CFA Institute for Europe, Middle East and Africa, says: "I believe the decrease probably reflected a continuing contraction in the financial sector following the recent crisis.

"Perhaps more remarkably, the trend in demand for the CFA programme has remained robust despite the strong headwinds."

Mr Mehta believes the market for financial education and training remains resilient.

His view is supported by schools such as Cass Business School, famous for its proximity to the City in London, where demand for its specialist master's courses still exceeds supply.

"We've always had big demand for our master's in finance courses," says Andrew Clare, professor of asset management at Cass and associate dean for MSc programme.

Prof Clare says that of the 1,300 students enrolled in masters programmes in Cass, 1,000 are taking courses in an aspect of finance.

Heidi Pickett, director of the master of finance programme at MIT Sloan, reports a similar experience. She says the school received 1,600 applications for its 120 places.

"We have still not tapped all the areas of the world."

Trying to keep up with changes, particularly those relating to regulation or new financial products, has also created opportunities for specialist short course providers, such as the Wilmington Group, which offers specialist training, through its subsidiaries, to professionals in accountancy, banking, charities, financial services, healthcare, insurance, legal and pensions.

Wilmington's subsidiary Adkins Matchett & Toy, provides specialist training to first-year MBA students on internships at investment banks, or to newly employed associates in the banking industry.

Business schools are also among Wilmington's clients – it delivers specialist training in Europe and the US to students who wish to gain entrance to investment banking. Clients include Insead, Cass and the London Business School.

It delivers large bespoke contracts too; for example, training on money laundering for 10,000 employees of one bank.

Charles Brady, chief executive of the Wilmington Group, says: "A lot of what we do is based on regulation and compliance."

The picture emerging in 2014 is one of increasing choice. Prospective students might choose to study for a master's in finance or other professional examinations.

They might study on campus or follow a programme online, such as the Master of Science in Finance (MSF) delivered by Georgetown University's McDonough School of Business.

Just over a third of the alumni surveyed for the pre-experience programmes in this year's FT Masters in Finance rankings said they also had one or more professional qualification.

It would appear that financial training is still a "need-to-have" rather than a "nice-to-have" qualification for those entering the finance industry.

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