Are MBAs Meeting Business’s Needs?

Michael Segon* and Chris Booth**

Over recent years the Master in Business Administration program has been increasingly criticised as less in touch with the needs of the business community, becoming overly theoretical, delivering the wrong content and using the wrong teaching methodologies (Schlegelmilch & Thomas, 2011; Gosling and Mintzberg 2004; Walz 2006). Surveys of European and American MBA programs reveals that the majority have very similar structures and content with an emphasis on functional business knowledge such as marketing, accounting, economics, finance and strategy and lacking in interpersonal, presentation skills, ethics and change management (Matten and Moon 2004; Christensen, Peirce Hartman, Hoffman & Carrier, 2007). This paper presents a review of literature relating to MBA programs regarding content and structure and then aligns this to results of a survey of practicing managers to verify or refute these criticisms. A desk audit of the top 10 Australian MBAs is then presented in the light of these findings. It is the author’s contention that this research demonstrates that Australian MBAs are not meeting business needs.

Field of Research: Management education, business research.

1. Introduction

The Masters in Business Administration (MBA) program has been the most recognised of qualifications for aspiring middle to senior managers and the most common of business School postgraduate offerings. However it is increasingly criticised as being out of touch with the needs of the business and becoming overly theoretical in its content (Schlegelmilch & Thomas, 2011). Gosling and Mintzberg (2004) argue that Business Schools’ management of the MBA has been problematic with the wrong candidates being selected as students, the wrong teaching methodologies used and the wrong content being taught (Walz 2006). The literature presented in this paper reveals that whilst the MBA has received significant research attention, the majority of this research focuses on content, structure and student preferences. The authors did not identify any significant research that sought to establish employer views of MBAs and whether graduates acquire critical skills valued by employers as a result of studying these programs. This gap established the research objectives which can be summarised as determining what managers think about MBAs and how they differentiate between the qualifications in terms of content and quality when making selection decisions or recommending MBAs to colleagues.

This paper seeks to add a body of knowledge to the literature through the results of an online survey undertaken between April and November 2011 by in excess of 100 practicing managers with selection responsibility. The survey identifies how managers differentiate between MBAs when selecting prospective supervisors and managers, and what skill gaps are evident in both managers and MBA programs. The paper then

*Dr Michael Segon. Senior Lecturer, Graduate School of Business, RMIT, Australia
Email: michael.segon@rmit.edu.au

**Dr Chris Booth: Lecturer, Graduate School of Business, RMIT, Australia
E mail: chris.booth@rmit.edu.au
examines the top 10 Australia MBA programs, as ranked by the Australian Financial Review's Boss Magazine in September 2011, via a desk audit of program websites, to establish the common elements of the Australian MBA curriculum and whether they display similar characteristics to international programs and therefore subject to similar criticisms.

2. Literature Review

Simmering and Wilcox (1995) maintain that individuals who pursue MBA qualifications do so with an understanding of career direction and a realistic concept of self. Most individuals undertake such qualifications as a means of enhancing their employability and to further career opportunities (Hay and Hodgkinson, 2006; Mihail and Elefterie, 2006). Similarly Ng, Burke and Fiksenbaum (2008) identified that the majority of people who pursue MBA qualifications do so with an expectation of an enhanced career, but not necessarily increased financial rewards. Mihail and Elefterie (2006) in a survey of MBA graduates found that 74% believe that the MBA contributed to finding new job opportunities with better employment conditions.

Baruch and Lemming (1996, p27) suggest that “the aims of MBA programs are to prepare graduates for managerial roles, help them gain a better understanding of the industrial and business world and its needs, enrich their skills and provide them with competencies relevant to their careers.” This is consistent with Hay and Hodgkinson (2006) findings of MBA Alumni from UK Business Schools that the reasons for undertaking an MBA was not solely career advancement but included knowledge development, personal challenge in addition to enhanced employability. Boyatzis and Renio’s (1989) found that undertaking an MBA also had positive effects on management competency development. Hilgert (1994) states that MBA programs focus on the development of managers from specialist to a more integrated generalist perspective. This supports the common view that MBA programs provide a broader understanding of the business context which allows individuals with the qualification to out perform those who do not hold an MBA degree (Mihail and Elefterie, 2006; Baruch and Peiperi, 2000). Hay and Hodgkinson (2006) note a similar perception that possessing an MBA assists in fast tracking career development. In a study of MBA graduates in Greece, Mihail and Elefterie, (2006) found that graduates perceived the MBA to have a positive effect on development of skills and thus an in increase in employability and compensation.

Baruch (2009) puts forward that there is strong evidence that an MBA enhances self-confidence resulting in individuals improving their sense of value, professionalism and competence, all of which enhance management effectiveness. Hay and Hodgkinson (2006) note that managers defined their MBA success using internal criteria such as enhanced “career confidence” and “career choice”. Bandurra (1977, 1997); Boyatzis (1982); Pedlar et al (2001); Goleman et al. (2002) Quinn et al. (2008), all identify self-awareness as a critical competency for superior managerial performance. Hay and Hodgkinson (2006) in their survey of MBA alumni in the UK, note that an MBA qualification was regarded a means of enhancing self confidence enabling managers to undertake new organisational challenges and responsibilities which they previously would have avoided. They suggest that the MBA would appear to make a qualitative difference to management career options as distinct from a quantitative improvement. However, Simpson (2000) cites a 1994 AMBA (Association of MBAs, based in the UK) survey that identified acquiring an MBA resulted in considerable career progress after the
MBA with over 50% of those surveyed having changed function and two-thirds reported that their salary and benefits package had improved.

Paucar-Caceres (2008) examined the content of MBA programs from the UK and France, particularly those with international accreditation from organisations such as the Association of MBAs based in London, UK. He examined compulsory subjects and the range of free elective subjects as advertised business school prospectus and found the following:

- MBAs programs have an increasing focus on International perspectives
- MBAs programs are Increasingly using real business case scenarios
- MBAs programs are providing greater attention to the development of interpersonal skills such as communication.

Paucar-Caceres (2008, p 189), Baruch and Leeming (1996) and Neelankavil (1994, p47) suggest that there is significant consistency in what is seen as fundamental to MBA programs, namely the compulsory subjects including finance, human resource management, international business and marketing.

Mintzberg (2004) agrees with Paucar-Caceres (2008, p. 189) findings that most MBAs demonstrate “signs of being fairly similar across the huge range of business schools” characterized by traditional functional subjects such as strategy, economics, finance, human resource management, international business and marketing. Shield and Coughlan (2007) note that in addition to these traditional subjects, MBAs need to sharpen students’ decision-making skills through experiential learning and a focus on collaboration, interdisciplinary teamwork, and integrated design solutions.

Recent surveys of European and American MBA programs reveals that the majority have very similar structures and content with an emphasis on functional business knowledge such as marketing, accounting, economics, finance and strategy and lacking in interpersonal, presentation skills, ethics and change management (Matten and Moon 2004; Christensen, Peirce Hartman, Hoffman & Carrier, 2007).

It is clear from this review that people undertake MBAs with an expectation of improved skills and abilities and as a consequence enhanced career opportunities, including remuneration. The majority of MBAs appear to be very similar in terms of content and structure with a focus on functional subjects such as finance, marketing, economics and strategy and less attention to interpersonal skill development. This later point has been the focus of much criticism regarding the MBA that it does not equip graduates with the requisite capabilities needed by the business community. Whilst research regarding the views of MBA graduates was identified, little was found that sought to establish what employer’s value in graduates or MBA programs.

2.1 What Business Wants of MBAs

If MBA programs are as valuable to individuals as the discussion above suggests, then it would be reasonable to expect that the content of MBA programs to align with the skills, knowledge and behavioural capacities that employers and the business community expects of and values in MBA graduates.
The 2011 Graduate Management Admission Council surveyed in excess of 1500 corporate recruiters from over 51 countries, representing over 900 different organisations. GMAC specifically sought to identify those traits and skills that employers are looking for in MBA graduates. They found that the key selection factors used in the decision to recruit at a business school are the quality of students as reflected by the top five desired traits of: initiative (77%), professionalism (77%), motivation (76%), integrity (76%) and those who are able to deal effectively with pressure (75%).

The survey also sought to identify the critical skills, abilities and knowledge that recruiters most sought in MBA graduates and these were identified as: communication skills (86%), strategic skills (67%), the ability to perform/achieve goals (66), core business knowledge (63%) and the ability to manage change (61%). Interestingly several skills or capabilities received significant scores under the category of traits including: adaptability (68%), listening skills (48%) cross cultural sensitivity (39%) empathy (25%) and delegation skills (21%). These would be defined as competencies, which include conceptual knowledge, behavioural skills and attitude according to Boyatzis (1982), Pedler et al. (2011) and Goleman et al (2002) rather than solely traits or characteristics.

What becomes clear when considering these characteristics and skills, is that most fall into the category of interpersonal skills and abilities rather than those that dominate the MBA content, being finance, accounting, marketing and strategy. This appears to be consistent with increasing criticisms of MBAs such as those advanced by Mintzberg (2004), who argues that MBAs focus too heavily on functional content such as strategy, accounting and marketing and insufficient attention to the critical skills of management, that includes a focus on interpersonal skills. Mintzberg (2004) states that the current design of MBAs emphasizes and rewards competitive characteristics of students and the excessive use of case studies has emphasised reactive decision-making based on limited an insufficient data. This parallels his earlier studies on the nature of managerial work that most managers are not reflective thinkers, prefer verbal to written communication and are reactionary decisions makers. Similarly Boyatzis and Renio (1989) have shown that MBA programs enhance managerial competencies in areas of information analysis, quantitative analysis, and implementation of projects, however, they are ineffective in enhancing soft skills such as building relationships with peers and managing or leading people.

It could be argued that individuals undertake MBA programs with the belief or the expectation that the qualification will develop new skills and abilities that are in demand by the business community. However, the literature review clearly demonstrates that much of the research on MBAs has focused on issues of structure, types of subjects or students preferences. Whilst this literature is useful in contrasting different MBA offerings to establish similarities and issues of student preference, it does little to inform whether MBAs actually deliver the type of graduate that organisations actually want. Neither does it provide insight as to whether the knowledge, skills and competencies acquired by graduates actually enable manager to work more effectively and advance their careers as they expect.

3. Research Methodology

The research methodology used in this paper was in the quantitative paradigm to investigate a series of research questions regarding managers and MBA programs. In order to ascertain whether the trends evident in the GMAC’s 2011 survey and criticisms
made of MBA programs are also present in the Australian business context a survey using a range of 7-point likert scale and qualitative questions was designed and distributed to practicing managers. The key population sample was identified as middle to senior managers with involvement in selection decisions for other management positions. The researchers contend that these managers must differentiate between MBAs and other management qualifications when making selection decisions. The research is designed to present trends in the perception of managers, their views and how these affect their selection decision. As such the research is an emic account, or description of social behaviour, experience and action, meaningful to the participants and from the perspective of those who experience these actions and decisions.

The research task can generally be described as an investigation of whether the criticisms of MBAs, as advocated by Gosling and Mintzberg (2004) are shared by Australian managers, and if so whether the top 10 MBA programs, as ranked by an Australian rating agency, display these problems in structure and content.

Four research questions are investigated.

1. Do Australian managers with selection responsibilities consciously differentiate between MBA programs and what is the basis for such differentiation: content, structure, quality, presence of accreditation, or a combination of these?
2. As an indicator of MBA quality, on what basis do practicing managers recommend MBAs to colleagues and friends?
3. What are the gaps evident in managerial practice and in MBA programs, as perceived by practicing managers?
4. How do the top ten Australian MBA programs compare with regards these positions?

Approximately 100 managers completed the survey with 64% being male and 36% female. A total of 55% of the respondents were 40 years of age or older which supports the contention that they are in middle to senior positions. Just over 40% identified themselves as being in the Consulting and Business Services industry sector, with Public Sector at 14% and Finance and Insurance at 9% being the next most represented sectors. Importantly 83% identified themselves as being involved in selection decisions, which indicates that the vast majority of respondents must make decisions concerning appointing candidates with MBA qualifications.

4. Discussion and Analysis-Quality

Two critical questions were posed with regards selecting candidates for management positions, where a postgraduate management qualification is a key selection criteria.

The first question sought to establish the extent to which managers appoint people with MBAs as opposed to candidates with a general postgraduate management qualification. Fifty-six percent of respondents indicated that they would appoint on the basis of meeting criteria irrespective of the type of management qualification held by the candidate. However, only 9% indicated they prefer a candidate with an MBA whilst 37% indicated that they would appoint candidates who meet the criteria and have an MBA with international accreditation. This result suggests that a significant number of managers are relying on international standards, as reflected by accreditation or ranking agencies, as a means of differentiating MBA programs when making selection decisions.
This trend is further evidenced by a series of questions in relation to perceived quality of MBA programs based on the offering University versus MBA ranking and the existence of accreditation.

A series of questions related to which MBA managers would recommend if asked for advice by friends or colleagues. The largest response, 48% indicated they would suggest people pursue MBAs with international accreditation, with only 7% recommending the MBA that they themselves had undertaken. Twenty-three percent indicated that they would recommend a program based on the demonstrated capabilities of managers with that particular MBA, whilst 26% stated that they would make no recommendation at all.

In terms of differentiating amongst MBA programs, 41% of respondents indicated that the quality of MBA programs could be assumed based on the reputation or status of the offering University. By contrast 51% indicated that quality could be assumed by rankings, such as those offered by the Financial Times in the UK and Boss Magazine in Australia, whilst 64% indicated that quality can be assumed based on whether the program holds at least one international accreditation such as the Association of MBAs based in the UK, EQUIS the European Accreditation body based in Paris or the Association to Advance Collegiate Schools of Business from the United States.

These results would seem to suggest that practicing managers are becoming more aware of independent assessments and accreditation of MBA programs as the basis for determining the quality of programs rather than relying on reputation of Universities. The power of the University brand or status appears to be less significant than the status afforded by international and national ranking and from the survey results clearly the most important factor is the presence of at least one international accreditation.

The low response for recommending the same MBA that the managers themselves undertook also suggests that the role of alumni in providing new MBA candidates by word of mouth has been potentially overstated. Anecdotal information provided to the authors by several practicing managers suggests one possible reason for the focus on accreditation might be the international transportability of MBAs. Several managers noted that the MBA is a recognized worldwide brand and that international accreditation is a means by which judgments can be made about content and quality when details about the offering (foreign) university are unknown.

4.1 Discussion and Analysis-Content

In order to address the third research question regarding the perceived gaps in manager skills and whether MBA programs address these, respondents were provided with a list of ten skills that covered functional areas such as marketing, information technology and strategy, quantitative or analytical areas including finance, economics and statistics and interpersonal areas including communication, change management, emotional intelligence and ethics.

Table 1 provides an overview of the critical skills that middle to senior managers believe are lacking in prospective managers who apply for positions with their organisations. Of importance to this discussion is that interpersonal skills, emotional intelligence and communication skills received the highest scores at close to 40%. Leadership and Ethics and Corporate Social Responsibility are also identified at approximately 38% and 30% respectively with the only functional knowledge of any significance “strategic skill”
receiving a score of approximately 35%. This seems to suggest that managers lack the very interpersonal skills that the GMAC survey suggests are the most desired by employers.

By comparison, respondents were asked to identify those skills that they believe MBA programs fail to address sufficiently in their content and structure. Table two provides a summary of the responses that closely parallel the skill set described in table 1.

These results seem to suggest that Australian managers do not see MBA programs as equipping graduates with the key interpersonal skills that they believe are lacking in practicing managers. The absence of Interpersonal skills being the most significant at close to 30%, followed by Emotional intelligence and Ethics and CSR at close to 25% and finally leadership at just under 20% as the other most significant content gaps. What is evident in these results is that Australian managers do not place great emphasis on the functional skills or analytical knowledge that the majority of MBAs address such as finance, economics, marketing etc., receiving less than 10% recognition in both tables.

These results seem to echo the 2011 Graduate Management Admission Council (GMAC) survey that interpersonal skills are in demand by employers. The results also support the
Segon & Booth

assertion by Gosling and Mintzberg (2004) that MBA programs do not equip managers with these intrapersonal and interpersonal capabilities but rather focus on functional content largely reflecting the departmental structure of a University business faculty or school and largely the preference of academics rather than the business community.

4.2 Mapping Australian MBAs

Given these results and the discussion concerning the apparent inconsistency between the content of MBA programs and the skill sets desired of MBA graduates by business, a review of the top 10 MBA programs in Australia, as ranked by the September 2011 edition of the Australian Financial Review’s Boss Magazine was undertaken. Each program was examined by accessing the University’s web site to identify the compulsory subjects and the type of content addressed. Only compulsory subjects were considered and each was then classified according to assumed content based on the descriptions available on the websites, as follows:

*Functional*: These were deemed to be subjects that addressed information about business, how it is structured and how it promotes itself, including marketing, strategy, corporate structure, etc.

*Analytical*: These were deemed to be subjects that addressed the handling of information and the method by which decisions are made based on data, including: statistics, decision making, data analysis, logistics, etc.

*Financial*: These were deemed to be subjects that addressed financial information about a firm or the economy including: accounting, economics, finance, econometrics, etc.

*Interpersonal*: These were deemed to be subjects that addressed interpersonal skills or the management of people including: leadership, people management, human resource management, communication and dealing with change.
Table 3: Australia’s Top 10 MBA Programs Content Mapping

<table>
<thead>
<tr>
<th>University</th>
<th>Core Subjects</th>
<th>Accreditation</th>
<th>Functional</th>
<th>Analytical</th>
<th>Financial</th>
<th>Interpersonal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melbourne Business School</td>
<td>10</td>
<td>EQUIS AACSB</td>
<td>30%</td>
<td>40%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>University of Queensland</td>
<td>12</td>
<td>EQUIS AACSB</td>
<td>41.6%</td>
<td>8.3%</td>
<td>25%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Monash University</td>
<td>16</td>
<td>EQUIS AMBA</td>
<td>56.25%</td>
<td>12.5%</td>
<td>18.75%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Queensland University of Technology</td>
<td>16</td>
<td>EQUIS AMBA AACSB</td>
<td>59%</td>
<td>6.2%</td>
<td>25%</td>
<td>18.7%</td>
</tr>
<tr>
<td>Australian Graduate School Management</td>
<td>15</td>
<td>EQUIS AACSB</td>
<td>46.6%</td>
<td>13.3%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Victorian University</td>
<td>8</td>
<td>-</td>
<td>62.5%</td>
<td>0%</td>
<td>25%</td>
<td>12.5%</td>
</tr>
<tr>
<td>University of Western Australia</td>
<td>10</td>
<td>EQUIS AACSB</td>
<td>60%</td>
<td>10%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>Bond University</td>
<td>10</td>
<td>-</td>
<td>40%</td>
<td>10%</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>University of South Australia</td>
<td>10</td>
<td>EQUIS</td>
<td>40%</td>
<td>0%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>University of Adelaide</td>
<td>9</td>
<td>AACSB</td>
<td>33%</td>
<td>11.11%</td>
<td>33%</td>
<td>11.11%</td>
</tr>
</tbody>
</table>


There are clear variations amongst the MBA programs including the number of compulsory and elective subjects that are undertaken as part of the qualification. At 20 subjects with 10 compulsory and 10 electives, the Melbourne Business School had the most demanding program, with Victoria University having the fewest with 12 subjects of which 8 were compulsory and 4 electives required to complete the qualification.

It is interesting to note that 8 of the top 10 MBAs have been internationally accredited by at least one organisation with most seeking at least two recognized endorsements. This is consistent with the results of the Australian manager survey that demonstrated an increasing awareness of international MBA accreditation as a key differentiator, both in selection and professional development considerations.

Based on the table above the average content of Australia’s top MBAs are as follows:

- Functional subjects 55.6%
- Analytical subjects 8.2%
- Financial subjects 23.3%
- Interpersonal subjects 14.3%

This is consistent with the common structures identified by Paucar-Caceres (2008, p. 189), Baruch and Leeming (1996), Neelankavil (1994, p. 47) and Mintzberg (2004) with functional, financial and decision-making subjects dominating MBA programs. The top 10 Australian MBAs devote 85.7% of their content to address only two of the five skills.
identified by US and European recruiters as important, strategic and business knowledge and only 14.3% to the other three interpersonal skills, which includes the most desired skill of communication. Similarly the most identified skills that Australian senior managers believe middle managers lack; leadership, communication, emotional intelligence, ethics and change management, are also addressed by the same 14.3% of MBA content.

The only skill identified by Australian managers as deficient in prospective managers, “strategic skills”, is clearly addressed by the 55% functional content of MBAs. The other major functional and analytical content that dominate MBAs, marketing, economics etc, was not identified as significantly lacking in managers, as represented by scores of less than 10% in the survey. These results clearly support the contention that Australian managers are aware that MBA programs lack key interpersonal, emotional intelligence and change management skills.

Based on this cursory review it would appear that the criticisms of MBA programs discussed early in this paper, also apply to the top 10 MBAs in Australia, namely that they are dominated by traditional functional and decision making subjects and do not give anywhere near equal attention to critical interpersonal skills. Furthermore, the preferences of employers and recruiters of MBA graduates, both internationally and in Australia, identify key skill sets that emphasise interpersonal skills rather than the functional skills that dominate MBA programs. This then suggests that Australian MBA programs are not meeting the needs of the business community.

The authors posit that MBA programs need to be restructured to include specific subjects that address these skill deficiencies. Whilst a logical approach might be to ensure that the compulsory subjects are equally distributed amongst the four areas of functional, analytical, financial and interpersonal subjects, i.e. 25% each, this would not reflect the views of Australian managers that most of the functional, analytical and financial knowledge has already been acquired by practicing managers. As evidenced by this research, a much greater need is perceived in the areas of leadership, emotional intelligence, change management, ethics and corporate social responsibility. It is therefore argued that an informed MBA should include subjects in each of these areas. Based on the average number of compulsory subjects in the top ten Australian MBAs, this would represent anywhere between 40-50% of subjects required to complete the qualification.

5. Conclusions and Further Research

This paper has reviewed literature regarding the content and structure of MBA programs and found that there is consistency amongst the offerings, internationally and in Australia with an emphasis on traditional functional subjects such as marketing, strategy, economics and decision-making. Individuals were deemed to undertake MBA programs in order to advance career options as well as increasing levels of self-confidence and self-development. It was further identified that the most recent preferences of international recruiters and Australian managers involved in selection identified interpersonal skills, emotional intelligence, communication skills and capacity for ethics and CSR as most important rather than traditional functional suite of subjects. There is a clear awareness amongst Australian managers that MBA programs lack this interpersonal and business engagement content. A review of literature did not identify research that explores the needs or views of business in terms of the skills they require of MBA graduates or how they differentiate between MBA offerings. This paper
addressed this gap and offered new perspectives that clearly suggests a growing awareness and reliance on ranking and accreditation to indicate quality of MBA content and structure, and that the functional content of MBAs does not provide the interpersonal skill sets and business engagement capacities that are in demand by employers.

These trends are consistent with the views of Mintzberg (2004), Boyatzis and Renio (1989) that MBAs fail to develop critical interpersonal skills. Further research is recommended to verify the findings of this report through a detailed analysis of weekly subject content for each of the subjects across the ten reviewed MBA programs. Furthermore qualitative research through the use of focus groups and personal interviews with practicing managers could provide further insight as to their decision-making regarding MBAs and what informs their views and acceptance of international accreditation as a quality indicator.

References


Baruch, Y 2009, ‘To MBA or not to MBA’ Career Development International vol. 14, no. 4, pp. 388-406.


Segon & Booth


