

Strategic Divergences in Management Education

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Abstract— The most likely aim of MBA is creating global leaders, rather than managers as to the current diverging trends in the business world. This essentially require flexibility and variability in the curriculum and learning experiences to promote and practice innovation through consistent industry interface.

The research aims to find the causes of divergences in supply and demand of Management Professionals in the era changing global economy and the long term impact of management restructuring on the potential enrollment of MBAs. Trivial management certifications are no longer attracting genuine entry level MBA jobs. At this point, revisiting the goals and strategies of management education becomes relevant.

As the research universe is globally spread, there is little scope of quantitative validation of the relationships. Research is devised as a causal analysis of Management Education against the 2008 economic recession. Also, an analysis of derived demand and supply of Management Professionals, considering a few determinants of the same seemed inevitable in this context. A casual survey on some MBA students revealed the growing needs of a revision in the curriculum and pedagogy.

At the same time, broader scope of management reflected in the inter-disciplinary studies and increasing number of specializations offer wider opportunities to adequately explore and integrate the most modern practices of management in different areas of knowledge. However, these opportunities demand more of diverse skills and dynamic practices, which highlight the importance of an internal audit of resources to match the external opportunities, eventually deriving means to enrich the human capital potential.

Keywords— Management Education, innovation through industry interface, management restructuring, economic recession, academic supply and industry demand.

I. INTRODUCTION

Background of the study

The researcher experienced a turmoil in the beginning of the last academic year, while planning to switch from his teaching role in an international school to pursue a teaching and research career in the university level. Most of the faculty interviews or appointments across India got delayed over a month or two as to the uncertainty in the level of admissions for the academic year 2014-15. Articles on the heavy closure figures of MBA colleges during the post-recession (both 2008 and 2010 recession) with the

closure of MBA Programme even in a University campus, prompted an enquiry on the causes and consequences of this academic downturn.

This experience and academic rumors, while served as the first hand information for the research, further validation of the same was done by a brief opinion survey of some academic experts. The challenges for MBA facilitators was felt much synonymous to the panic the functional managers suffered grossly during the recession period and the consequent changes across the globe. This reflection of recessionary pressures on the academic crisis is largely a long term ripple effect of the industrial recession, which itself has roots in the ‘value crisis’ the management education failed to address proactively. This leads to the hypothesis of the research of management education as a cause and effect of the great recession.

II. LITERATURE REVIEW

A compilation of essays of GFME (Global Financial Management Education) Board members on the Management education in the wake of financial crisis was reviewed extensively. Two research papers of Eric Cornuel referred here gave necessary conceptual support on putting Management Education in the causal end of the great recession. In both the papers, he concludes management education institutions instead of “reproducing” or “miming” reality should undergo a very in-depth change – one that will force them to redefine the research they conduct and the educational content of the programmes they teach. The same point was heavily stressed in the Appendix of the book ‘Beyond MBA hype’ with several references on the view, out of which the Mintzberg’s viewpoint is of great appeal. On the contrary, Richard Cosier’s Emerald article

counters the view of placing Management Education at the causal end of recession. Furthermore, an essay written by Michel Patry: Director, HEC Montréal on the Business Education during the financial crisis in an institutional perspective, strongly counters the view of the pitfalls in Management Education as a reason or result of the global recession. The essay concludes that business schools today make valuable contribution to society, to improve the market efficiency and confidence of the public. All the literature referred helped to strengthen the research paradigm.

III. RESEARCH PROBLEM

Management education in the current global context

Globalization, as the increased level of economic cooperation and business integrations revolutionized the pace and scale of operation paved the way to flourish Management Education in the recent decades.. Though, it was repugnant for the workforce in the lower levels due to increased capital intensity, more and more technical and managerial jobs were created, causing a boom in the management and technology education across the globe. But eventually the academic supply exceeded the industry demand due to the slow pace of academic growth against the quick industry growth as illustrated in Fig. I. As a matter of fact, there happened a trade off with the quantity against the quality of MBA graduates. This phenomenon is examined both as a medium to long term cause and effect of the great recession and related problems across the globe.

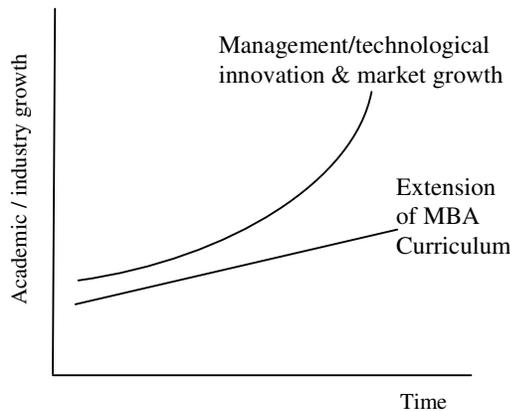


Fig. I: Divergence between the industrial and academic growth rate

The basic assumption is of an observed fall in trend of MBA enrolments, both as a medium to long term cause and effect of the great recession of 2008. Even today, the evolutionary academic changes often fail to cope with the revolutionary changes in the industry, i.e.; against the exponential growth of the industry, academy suffers from a slow linear growth, that too can be depicted with flat curves(Fig I), showing the sensitivity to the chosen growth factors in the academy and industry, making the former lagging behind the latter which is not desirable.

The increasing scale and pace of the post-recession divergences in the academic supply and industry demand of management professionals is observed in terms of quantity and quality. Table I shows the falling rate of growth of the professional Institutions in the wake of financial crisis. The growth rate of Management Institutions are highlighted in the different shade (blue color).

TABLE I
POST-RECESSION GROWTH FIGURES OF
PROFESSIONAL COURSES IN INDIA

	Engineering			Management		
	Institutions	Growth (#)	Growth (%)	Institutions	Growth (#)	Growth (%)
2006-07	1,511			1,132		
2007-08	1,668	157	10%	1,149	17	2%
2008-09	2,388	720	43%	1,523	374	33%
2009-10	2,972	584	24%	1,940	417	27%
2010-11	3,222	250	8%	2,262	322	17%
2011-12	3,393	171	5%	2,385	123	5%
2012-13	3,498	105	3%	2,467	82	3%

Source: AICTE | © DrEducation.com

IV. RESEARCH OBJECTIVES

The main objectives of this research are to;

- Identify the cause of the present crisis of the falling trends of MBA enrolments year after year.
- Initiate a series of dialogues and discourses in the academic sphere, on the current crisis of Management Education.
- Throw light into the necessary reforms in the curriculum and pedagogy of Management Education.

V. METHODOLOGY

Data Collection & Research Methodology

Being more of a conceptual research based on some viewpoints which need to be validated

empirically over time, primary and secondary sources are comparatively less used for the research.

A range of articles from news-papers and journals and some published research papers on the challenges and prospects of global management education served as the secondary resources. A casual survey was conducted on a dozen of randomly selected final year MBA students upon convenience. They were asked to close their eyes to dream about the very first job after MBA and to orally detail the specifics of the virtual job. But practically all of them were unable to visualize the same to meet the researcher's specificity criteria. This substantiate the Research hypothesis of demanding a revision in the curriculum and pedagogy of Management Education in India. Further research is mainly centered on the researcher's paradigm of the issue and some relevant experiences and observations, eventually clarified and supported with Delphi technique; where the researcher himself sought individual opinion from the Industry and Academic experts. Interestingly, one of the Expert, Dr. Abraham MD, Mindmasters, Trivandrum opined that, given a chance he will devise an MBA curriculum which teaches the entire syllabus content in a single semester while another semester will be fully devoted to develop the managerial, analytical and emotional skills demanded by the industry (to enhance their employability) and a whole year to be specialized in the function with real-time employment and research projects.

However, the universe of research being vast as it is in a global scale, there is limited scope of quantitative analysis. Hence the viewpoints and the observed facts development through the Economics concepts, are subject to qualitative analysis by a SWOT matrix on the Global Management Education, followed by a cause and effect analysis of the great recession and the management education.

Theoretical framework: A market model of industry-academic divergences

The figure II illustrates the basic model of equilibrium demand and supply of MBA graduates; assuming a linear relationship between the quantity of and pay for MBA graduates, while all other factors remains constant. The market pay assumed for MBA graduates is identified as the

point where the demand meets the supply. Academic supply of MBAs is less sensitive (inelastic) to the perceived pay for fresh MBA jobs, but the industry demand for fresh MBA graduates is highly elastic to the expected pay, which is evident in the slope of demand and supply curves illustrated below. As the academic supply exceeds the industry demand for MBAs, this disparity in their elasticity figures to the perceived/expected pay creates a notable divergence in the MBA market.

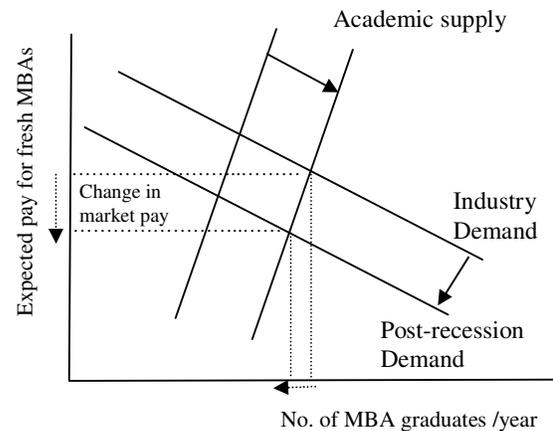


Fig. II: Changes in industry demand for and academic supply of MBA graduates and their market pay

At this juncture, a variance analysis on the necessary divergence between industry demand and academic supply of MBA graduates become relevant. Identifying other qualitative factors as the Determinants of industry demand and academic supply can throw light into the changes in the equilibrium pertaining to the current MBA market by shifting the demand and/or supply curve. Here we consider all other factors which were assumed to be constant while deriving the demand and supply curves. Primarily, being a qualitative research, mainly quality is considered here with its effect on the growing divergences between academic demand and industrial supply. Furthermore, the causes of downward shift in the demand for Management professionals after the 2008 recession, also has its links with Quality, as much as cost.

In India, there is wider divergence between demand for and supply of MBA graduates. The halo and hype of MBA degree attracts a diverse

pool of MBA applicants - graduates from commerce, liberal arts, science and other streams. In addition to this, many engineering graduates moving directly into management education as a popular option to broaden their possibilities and to move out of the lower level technical roles to the high flown managerial roles, which has been pushing the academic supply curve right downwards (as shown in the Fig II) till 2008. After the 2008 recession, the demand for management professionals and henceforth the MBA enrollment rates has shown a drastic fall back, creating new downward trends in the market pay for MBA professionals as indicated with dotted arrow in the Y-axis of Fig III. However, for the last 3years, India has been in the top most position in the reported MBA opportunities or recruitment ranking of MBA (Source: QS TopMBA.com Jobs & Salary Trends Report 2011, 2012 & 2013). This makes the study on the industry-academic divorce relevant.

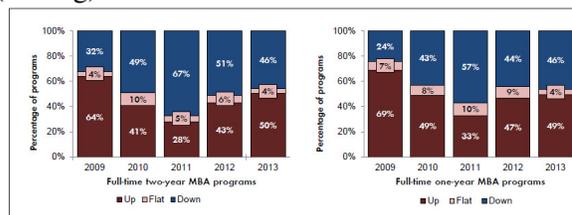
Is Management Education a cause OR effect of Economic Recession?

As the MBA market is a model of the labor market, the demand for MBAs are derived from the consumer market. The economic downturn, which characterized the fall in aggregate demand and thereby the supply of a range of non-necessary goods and services. This can be traced back as the major cause of the fall in MBA enrollment rates, which has left a surplus of MBA seats in the academic sphere.

The chart I and II shows the post-recession changes in the application volume of full-time and professional MBA programmes, respectively. The survey responses were contributed by admissions from 328 Business Schools and faculties around the globe (from 42 different countries) collected by GMAC from early June to mid-July 2013.

Viewing the changes in Management Education as an effect of the great recession, explains clearly the research hypothesis. An immediate look into the Chart I, makes one draw out the considerable similarity of the MBA application trends with the Business Cycle. As observed from the chart I, the similarity of trends between the academy and industry, reflected in a three year lead of academic downturn (the fall in full time MBA applications

from 2008 to 2011) with the industry (2008 downturn), well justifies the argument of the fall in demand of management Education as a medium (to long) term effect of economic recession

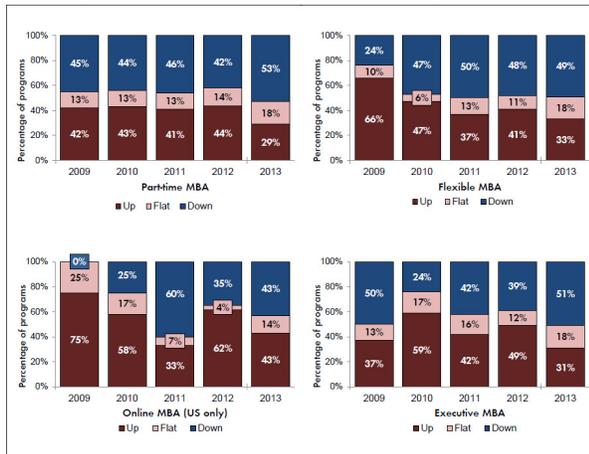


* Data for 2009 to 2012 are from GMAC Application Trends Surveys conducted in those years.

Chart I: Percentage of full-time MBA applications during 2009-2013

The recession forced firms across the world to think of cost cutting methods in the short run and improving productivity to survive and compete in the long run. Cost cutting specially refers to the reduction of fixed overheads, which forms the major part of any firm's capital structure. In the economic perspective, labor is the only factor of production which can be changed in the short run. So, in the management view, the best way of cutting fixed overheads in the short run is by cutting the salary and other fixed benefits of the managers, which has no direct and immediate impact on the output. In any functional organization, a substantial proportion of the fixed cost is incurred on the middle level management, whose worth is difficult to assess with the output or productive efficiency. Certainly this made firms to think of management restructuring, by flattening the organization through delayering of middle management. This eventually increases the economic efficiency manifold, though in the short run, making the firm stand the worst recessionary pressure. Through a series of trainings leading to job enrichment, the employees in the operational level can be bridged with the senior level managers. This phenomenon had a serious impact on the management cadre of many firms, collectively fading the management career prospects. This had a multitude of implications in the Management Education as the organizations widely opting for centralization by defunctionalising the management structure. It might have created a long term perception that managers will no longer be required in future. This can be traced as the reason for the long term impact of delayering the middle management on the in-service Management Education, which is evident in the falling figures (shown in the chart II)

of professional (part-time, online, flexible and executive) MBA enrolments in the post-recession years. However, the full time MBA admission trends in the last two years across the globe has marked a recovery as shown in chart I. This accounts for the academy lagging behind the industry in the recession and recovery trends.



*Percentages may not add to 100 due to rounding
 **Data for 2009 to 2012 are from GMAC Application Trends Surveys conducted in those years.
 Chart II: Percentage of professional MBA applications during 2009-2013

Conversely, Management veterans including Henry Mintzberg views Management education as a major cause for the great recession by teaching a totally dysfunctional form of Management practices, which imply that Finance courses taught students how to create ‘innovative’ financial instruments and derivatives and then to use these tools to maximize personal gain. Recession can be the result of the personal greed and excessive leverage, collectively seen as a ‘global value crises’ and so Management Education can be placed at the causal end as the B-Schools are responsible for churning out ‘trivial strategists’ and dry mechanical number crunchers rather than thinking managers who use their skills and judgment with prudence. Through a revised curriculum and pedagogy which gives due weightage to the concepts of Business Ethics, Corporate Social Responsibility, wouldn’t have necessarily controlled the recession. Instead it would have been made possible through long term academic process of value orientation, started quite prior to MBA admissions, which is continued aggressively with the MBA, through hands on training based on real-time cases and integrating necessary concepts drawn from broader disciplines like arts, sociology, politics,

economics, science and ecology. This requires an up-down revision of the present curriculum of the Management Education to be more multi-disciplinary (by incorporating the finer elements of art, aesthetics, social and environmental sciences) established through a newly devised inter-disciplinary pedagogy. All this could be evolved through long term research and experiment through simulations of different models of curriculum and pedagogy which is yet to happen. Hence it may seem absurd to place Management Education at the causal end of the economic downturn in this time when nations increasingly tend to become knowledge based economies. An alternative wisdom, intellect and creativity, apart from denying knowledge, is the need of the hour.

VI. CONCLUSION & RECOMMENDATIONS

Pitfalls in the Management Education being identified as the cause and consequence of the recession, tremendously advocate for a massive revision in the curriculum and pedagogy. Masters programmes in Management should always address the changing needs and challenges of the society, at large. An integration of the technology and management in academies with various industries can be a mutually beneficial relationship; with shared responsibility can effectively defend the recession spiral, bringing economic stability and sustainability. Enriching the learning experience with empirical research and collaborated projects with the industry to replace the distorted simulation of the business context to explain the concepts rather than experiencing the same. The curriculum revision of Management Education should primarily focus on the diverse industry needs. It must figure out the growing divergence between the labour demand in terms of skills, attitude, employability and quantity of the labour supplied. Job analysis and workforce planning of the organisations can throw light into the desired changes in the curriculum. The job descriptions and job specifications of companies in different industry can be a useful input to identify the skills matching the industry and imparting the same through the Management Education. It is high time to set a code of conduct to make students learn to appreciate the importance of value, responsibility and civic consciousness in their managerial roles as a ‘big’

corporate citizen, representing the business for wiser decisions with relevance for the public and private in the short and long run.

VII. IMPLICATIONS

The question seems relevant; whether the Management Education should generate traditional Managers or innovative Leaders. The recent challenges in the Academic sphere of falling enrollment rates, rising level of unemployment of Management professionals and widening skills gap urges for an immediate revolution in the Academic sphere. This is where a constant research and continuous interaction of the industry-academic intelligentsia becomes relevant. More and more studies and projects are required to reveal the scope and empirical evidence of a cultural pivot in the B-Schools from a traditional role culture to an innovative entrepreneurial culture of developing either entrepreneurs or intrapreneurs who are willing to take calculated risk and are assumed more responsible for a genuine social cause. This enhances the economy and society which further paves way to complementary Academic-Industry exchanges and rural innovation that fuel the growth of economy and help to dilute the income disparity. High quality services of a business school can be seen as a social good rather than a firm's input factor which adds value to the society and economy as a whole. Business Schools should thus become holistic human engineering workshops.

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