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How Relevant is the MBA – A Revisit

Abstract

The MBA (Master of Business Administration) is the centrepiece of management education holding the promise of systematically preparing its graduates for their managerial roles. However, there is escalating criticism that MBA programs are losing their relevance based on empirical evidence that competencies indicated by managers to be most critical are least represented in core MBA curricula. This paper re-examines the evidence and argues the misalignment appears to be overstated. Consideration for relevance in preparing graduates for managerial roles not only need to consider curricula, but also actual learning, social capital from the alumni network and the signalling effect of graduating from an MBA.

Keywords:

Relevance, MBA, Learning, Signalling

Introduction

Most workplace learning (70%-90%) occurs through on the job experience, informal training and mentoring (Pfeffer & Sutton, 2000) which are notoriously unsystematic and inefficient (McCauley, Moxley & Van Velsor, 1998). The MBA (Master of Business Administration) is the centrepiece of management education and holds the promise of systematically preparing its graduates for their managerial roles. However, there is escalating criticism that MBA programs are not imparting the required managerial capabilities, calling the relevance of the MBA into question.

Rubin and Dierdorff (2009) investigated the relevance of MBA (core) curricula in relation to managerial competency requirements. Using six empirically-derived managerial competencies from Dierdorff and Rubin (2006) – managing decision making, human capital, strategy and innovation, task environment, administration and control, and logistics and technology, the authors found that the competencies indicated by managers to be most critical (managing decision making, managing strategy and innovation, and managing human capital) are least represented in core MBA curricula. On the other hand, managing administration and control is given much more focus than managers would rate as critical. The authors, after qualifying the limitations in the methodology, call for more research on the relevance of MBA program. Rubin and Dierdorff (2011) is a follow up study that demonstrated considerable agreement across stakeholder groups regarding the importance of emphasizing human capital competencies in MBA curricula. These studies show that the MBA curricula is generally misaligned with the required managerial competencies and conclude with a call for curricula change aligned with the required managerial competencies.

Rynes and Bartunek (2013) reviewed five studies between 1993 and 2012 – Segev, Raveh, and Farjoun (1999), Navarro (2008), Datar et al. (2010), MBA Roundtable (2012) and Dierdorff and Rubin (2009) – and found that the MBA curricula is generally misaligned with

competencies; the curricula in top business schools appear similar; and that some curricula change occurred in the 2009-2011 timeframe. On the other hand, Costigan and Brink (2015) introduce a twist to this line of research inquiry to examine learning goals as an intermediate step between managerial competencies and curricula. They found that learning goals of MBA program are generally aligned with managerial competencies based on similar approach to Dierdorff and Rubin (2009).

Given the available evidence, current thinking appears to presume that a curricula redesign can fix the relevance issue. This paper re-examines the evidence in Rubin and Dierdorff (2009) in a new perspective, and argues that the misalignment appears to be overstated. The consideration for relevance (as in preparing graduates for managerial roles) will not only need to consider curricula, but also actual learning, social capital from the alumni network and the signalling effect of graduating from an MBA. This paper contributes a widened view for levers that program managers can use to enhance their program's relevance.

Again, what is the relevance of management education?

Rubin and Dierdorff (2009) defined relevance focusing on the topical content stated in the MBA curricula to investigate the extent to which the content aligns with “real life” managerial roles to define relevance. Six managerial competencies derived by factor analysis from a database of occupational information (O*NET) of job content, conceptualized in terms of activities and personal attributes associated with performing specific occupations, common to the managerial occupations (Dierdorff and Rubin, 2006). While the approach is rigorous, several issues can weaken the conclusion validity (Tan, 2016) as to whether the MBA program is producing the managers that the business hiring them needs. Using a comparison with hospital care may help us think more clearly about the concept of relevance of the MBA as follows:

The consumer of the MBA is the student who obtains the benefit of systematic preparation for managerial role – the consumer in healthcare is the patient who obtains the benefit of being relieved of ill health. The universities are the providers of MBA – and like hospitals have wide variations in the quality of the program (diagnosis, intervention and patient education) and quality of student (illness of patient) – but ought to have the same objective in providing the systematic education for the benefit of students. As in financing of hospital care, the MBA is paid by the student who may receive a ‘subsidy’ from a third party such as an employer. Relevance is a normative concept about what the producer ought to do for the consumer (i.e. the systematic preparation of students for managerial role), and not what the producer is doing.

The point raised by Rubin and Dierdorff (2009) is the gap between what ‘is’ and what ‘ought’ to be. However, there is a presumption in Rubin and Dierdorff (2009) that only coursework is used for producing competent managers; the input is homogeneous, and the only output is managerial competencies. The hospital care analogy is to consider treatment as the only factor in relieving illness; assuming that the same treatment plan produces the same outcome; and ignoring the importance of patient education for effective follow through of post-treatment plan.

Anecdotal evidence from our experience suggests that curricula content is coordinated by the program manager (or academic director) and is influenced by validation requirement, program structure, faculty expertise, market demand (such as feedback from business, recruiters, students, government and even competitive offering). The MBA curricula is always a mix of teaching managerial practice (i.e. like a vocational program imparting specific techniques) and the reasoning for the practice (i.e. like an academic program imparting the research and reasoning skills).

Input in management education

Business schools are definitely supplementing their courses with innovative pedagogy to produce the graduate that business wants. Kumar and Tan (2018) argue that coursework provide the knowledge base for practice, but practice innovation takes time to become teaching material for the courses. Business schools often supplement their courses with industry seminar and experiential learning to be responsive to competency needs of businesses. Industry seminars give the students a glimpse of the practical issues faced by the industry, current industry trends, its needs and challenges while also deepening the understanding on how knowledge is used to solve real world problems. Experiential learning, such as local industry site visits and overseas study missions, complement courses for acquiring more in-depth understanding of real-life, on-the-ground operations of business. Co-teaching of courses by academic and practitioners also adds to learning practical managerial competencies. In the example by Kumar and Tan (2018), these innovative pedagogies are implemented to address the shortcomings of coursework as a complement, and it is quite plausible a wide variation exists among MBA programs to add-in these complements. From a research perspective, using coursework alone as a measure for input gives rise to a construct validity problem (Tan, 2017).

Input Variations

Rubin and Dierdorff (2009) classify topical content of coursework to the most appropriate competency using two independent reviewers and obtained 92% “inter-rater” agreement and provide for the case where the topical content is unclear to be flagged as “not elsewhere classified” (just 5%). Each course corresponds to one competence. Several practical problems can cause a low reliability in measuring the input even when there is a high inter-rater agreement. For example:

The authors teach strategy courses for undergraduate and MBA programs. In the syllabi, the course topics are essentially the same, but the teaching and assessment are different. The

undergraduate course focuses on lecture while the MBA course is heavily case based. Examining the topics would fit both courses into the “managing strategy and innovation” competency with a high degree of inter-rater agreement because the topics are very similar. The difference in the teaching and assessment can be understood in terms of the Bloom’s taxonomy (Bloom et al, 1956). Due to the difference in the background of the students, undergraduate learning focuses on lower order cognitive domains (remember, understand and apply) and MBA learning focuses on higher order cognitive domains (analyse and evaluate) which explains the variations in pedagogy approach.

Case discussion often centres on some strategy-related decisions. For example, the case “Nucor at a crossroads” (Ghemawat and Stander, 1998) centres on the decision to adopt a new technology in the context of Nucor’s corporate strategy. The analysis requires students to draw connections among ideas from the nature of the product and competition, Nucor’s human resource practices and labour relations at that time, the uncertainty of the new steel making technology, and how all of these considerations come together for a decision. If it is a ‘go’ decision, the students have to defend that decision for financial feasibility (serious number crunching using the financial statements provided in the case) and the risks arising from technological uncertainty and higher financial gearing. If it is a ‘no go’ decision, the students have to defend that decision for missed opportunity and threat if the competition adopts the technology. Given what really happens in the classroom instead of the syllabus, it is less clear that the MBA strategy course has less learning of the “managing the decision making process” competency than a Quantitative Methods course teaching multivariate analysis. Warhurst (2011) suggests that the MBA program has wide variation in pedagogy, choice of cases, instructor style and so on based on anecdotal evidence. The heterogeneity is a threat to construct validity and reliability of the measure (Tan, 2017).

The Manager's Job: Folklore and Fact

While Rubin and Dierdorff (2009) focused on the content of managerial competence (managing decision making, which is a skill, and managing five areas of knowledge), Mintzberg (1975) in the article "The Manager's Job: Folklore and Fact" articulated the manager's roles in practice and hence the implication that educators need to impart skill training through practice and feedback alongside cognitive learning. Mintzberg argued that arising from the manager's formal authority and status is the interpersonal roles (as figurehead, leader and liaison) which creates the demand for informational roles (as monitor, disseminator and spokesperson) and consequently decision making roles (as entrepreneur, disturbance handler, resource allocator and negotiator). Therefore, following Rubin and Dierdorff's (2009) argument that the MBA is to fulfil the need of practicing manager for their job roles, examining the content of the coursework alone paradoxically will have a problem with construct validity (of the outcome of the MBA program). Even more serious is the problem of internal validity, i.e. the answer to what makes a manager a good decision maker? An explicit theory is needed before the theory can be falsifiable by testing against real data.

We propose a naïve theory based on anecdotal evidence using the Booth MBA program (University of Chicago) as an example. A well-known quote of the program is "The Booth MBA doesn't teach you what to think, it teaches you how to think. If you know how to think, no matter what problem you have at hand, you are going to be able to solve it." This approach seems reassuring in a rapidly changing world, where "what to think" quickly becomes obsolete and swamped by complex data, a firm grounding in core principles helps to arrive at good decisions. The Chicago approach to fulfilling the need of practicing manager for their decision roles appears to be learning the application of economic reasoning to a wide array of business context from finance to human resource management (Lazear, 2000). The university also emphasizes its alumni network as a global community of diverse backgrounds and perspectives

bonded by a shared sense of curiosity leading to deeper understanding. Therefore, the relevance of the MBA program, as in how well the program prepares managers for their roles, depends on how well the program prepares graduates as thinkers and doers that can call on the resources in their network. The graduates and their employers (rather than an MBA ranking provider) are more likely able to give the correct judgement on the relevance of the program.

An alternative perspective on relevance – signalling theory

We have so far followed Rubin and Dierdorff's (2009) argument that the purpose of MBA is to prepare managers for their job roles, and therefore relevance is how well that need is fulfilled. While not mutually exclusive, an alternative aspect of relevance is about being given a shot at the managerial position in the first place – Mintzberg's managerial roles start with the formal authority and status of the position. This argument brings us to the argument by Spence (1973) on job-market signalling.

Spence's (1973) seminal paper on job-market signalling argues that educational attainment conveys unobservable information (i.e. signal) about the graduate to the employer. An effective signal is one that is costly to imitate but needs not be of any intrinsic value to the employer (it can be of value but is not a requirement). Suppose there are two types of job candidates in the market – suitable and unsuitable – for a well-paid job, but the employer is unable to identify the candidate type. Quite often the solution is to specify a required education attainment in the selection criteria. Spence's insight is that education attainment serves as a signal of desired but unobservable qualities, such as intelligence and motivation, in suitable candidates. A well-paid job is desirable for both types of candidates so there is an incentive for both types to obtain the signal. For the signal to be an effective sorting instrument, the cost for acquiring the signal must be low for the suitable type and high for the unsuitable type. Differential cost to prevent

imitation is required for an effective signal; the model does not require suitable candidate to be more competent in the process of acquiring the signal.

Let us illustrate with a concrete example. Although the link between banking and physics is not obvious, banks hire physics graduates for their analytical skills in solving complex problems. Acquiring a qualification in physics is a signal that the candidate is mathematically literate, rigorous in scientific thinking, understand the nature and limit of data, and is motivated to acquire skills that are not easily mastered. A person with less of such aptitude and/or motivation finds it costly to acquire the qualification, hence the qualification is a signal the candidate has higher than average aptitude and motivation. It is unlikely that new hires know enough finance to solve the bank's problem and banks are not interested in physics problem. The bank knows that the new hire is more likely than average to learn the financial instruments (which can be bank-specific anyway) and then provides a rigorous answer to the bank's problem.

A corollary of the signalling theory is that course content is only one aspect of relevance for the MBA. Even if MBA (as a group) does not prepare managers for their roles at all, it is still relevant to employer and employee in the job matching process. Comparing MBA programs relies even more on signalling theory. First, specialized MBA are often created out of general MBA by bundling non-core courses. For example, a business school's MBA offering may consist of core courses, four electives and a study project. The curriculum of a specialized MBA has restrictions on eligible electives and study project topics. Rubin and Dierdorff (2009) have called for research "*to explore whether such specializations are substantially unique from traditional MBA curricula, as well as how these programs impact the relevancy of management education*" (p. 222). Seen from the job matching perspective -- graduates seek job with specialization, employers seek candidates with specialization, and business schools wish to pursue a differentiation strategy for their MBA programs – signalling theory would have argued

that it is sufficient (for relevance) that taking a specialization signals aptitude and motivation of the graduate, and contributing to competence in a specialized area (which is highly plausible) is an additional benefit. Second, Rubin and Dierdorff (2009) found no evidence for the expectation that “*highly ranked schools offer more relevant curricula and are more closely aligned with the needs of practicing managers*” (p. 212). Signalling theory offers a partial explanation that graduating from a highly ranked program is a signal of aptitude and motivation, the teaching content may be the same but graduating from a highly ranked program can be harder due to more selective admission, tougher assessment, or even qualitative differences in teaching.

The Market Answers the Relevance Question

Our analysis highlights the difficulties to produce evidence on the relevance of the MBA in the approach used by Rubin and Dierdorff (2009). There is agreement that relevance refers to how well MBA prepares managers for their roles. The approach used by Rubin and Dierdorff (2009) examines course content as the only input that produces the output (competencies). The difficulties arise because of missing inputs and measurement problems. These problems can be circumvented by directly evaluating the output. In fact, Rubin and Dierdorff (2011) provided the following results:

Insert Table 1 about here

The result for the curricular coverage and the perception (by MBA graduates and recruiters) of the adequacy of MBA training for specific competencies are negatively correlated (correlation = -0.5 for the MBA graduates’ data in Table 1 above). Given the earlier discussion, this points to a more fruitful evaluation through the lens of MBA graduates (Ainsworth & Morley, 1995), which is consistent with the recruiters and/or employers.

Concluding Thoughts

The relevance of the MBA refers to how well the program prepares graduates for their managerial roles. The work of Rubin and Dierdorff (2009) is a valuable paper that uses data to provide evidence that the curricula and required managerial competencies are misaligned. However, re-examining the paper shows several difficulties when using the alignment of curricula and managerial competencies to measure relevance, and hence weakening the conclusion. Perception of relevance by the MBA graduate and their employer may be a more reliable indicator.

Our analysis also shows that the social network and signalling effect can play a significant role in preparing the graduates for their managerial roles. In designing more relevant MBA, program managers should consider not only the curricula, but also actual learning experience, social network and signalling effect. The ranking of MBA programs appear to consider some of these factors.

Kumar and Tan (2018) noted that practice innovation takes time to become teaching material, alluding to the tendency for curricula to lag practice. This lag can be addressed with at least two strategies. The strategy in Kumar and Tan (2018) is to supplement the curricula with pedagogical innovation such as co-teaching by practitioners, experiential learning and seminars. The strategy in the Booth MBA is to teach student “how to think” (i.e. economic reasoning) rather than “what to think” (i.e. curricula contents). Both approaches are neither mutually exclusive nor exhaustive options - exploring these issues about how MBA programs cope with the lag is worthy of further research.

This paper is a response to the conceptual issues in the empirical analysis of the relevance of the MBA using curricula data, but is not a definitive answer to the question. Our contribution is to clarify these conceptual issues to build a strong foundation for further research. For

definitive answer, quality guru W. E. Deming has an insightful quote: In God we trust; all others must bring data.

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