Are Reports of the MBA's Demise Premature? If Not MBAs, Then What?

ABDC

Australian Business Deans Council Publications

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They have been seen as passports to wealth and power; the gold standard that opens doors to new careers, promotions and higher pay. But the Master of Business Administration or MBA – the staple of the world's business schools – is having to adapt to online learning, specialist degrees, changing societal expectations and radical shifts in how we work.

At any one time, about two-fifths of Fortune 500[1] company chief executives hold an MBA,[2] which is arguably the most sought-after post-graduate degree in the world.[3]

MBAs are the flagships of generalist management degrees. Highly ranked or regarded MBA programs can reflect the quality of a business school and, in turn, attract students to other courses. Indeed, even business schools with unprofitable MBAs have told researchers that they still offer them because of the prestige attached to the course.[4]

But, while the MBA has been hailed as 'close to a mandatory requirement for a budding tycoon',[5] the current trends in demand are not clear.

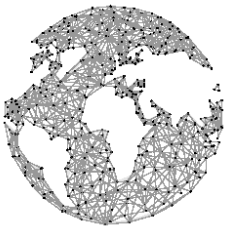
'The MBA was a product of a particular time and place – America, post-Second World War. We are now global, 21st century. The fact that the MBA has retained such dominance for so long is actually quite remarkable and a testimony to the fact that it's been a pretty good product,' Professor Angus Laing, Dean of School of Business and Economics at Loughborough University, says.[6]

'The MBA enjoyed a particular bubble. I think it's fair to say it's now settled down. But there is still going to be demand for MBAs. It has a certain degree of currency,' he says.

After the 2008 Global Financial Crisis, MBA numbers rose as students, sheltering from the economic and employment fall-out, aimed to widen their skill set and potentially improve their job prospects.

However, the 2017 *Application Trends Survey*[7] suggests that the slow economic recovery since the GFC has dampened students' perspectives on their professional futures, which has made them less likely to invest in MBAs.

In 2017, MBA applications from international students in the US dropped in 75% of business schools surveyed[8] – a drop attributed to the political climate. Yet, in the UK, fears of Brexit deterring international students have not been realised with about two-thirds of UK programs reporting international demand growth.



Even with the US decline, there are still more many more applicants than places on offer.[9]

'MBAs have been very, very successful in the past and certainly have relevance today. However, there is a strong trend towards more specialised post-graduate offerings, like niche Graduate Certificates and specialist Masters or MBAs,' Professor Tony Travaglione, Australian Business Deans Council President and Pro Vice-Chancellor of Business and Law at Newcastle University, says.

'These courses frequently have close links to industries, particularly those located within a university's catchment area. For example, here at the University of Newcastle in New South Wales, we have partnerships with grain exporters, oil and gas producers, agribusiness industries and co-operative businesses.

'Like many other business schools, we also have global connections that enable double Masters degreesas well as study in Australia and abroad in partner institutions. There is also the possibility of course internship requirements being fulfilled offshore so you may find a student, who is specialising in the wine industry, doing an internship in Burgundy, France, rather than Australia,' Professor Travaglione says.

The 2017 *Application Trends Survey*[10] says an increase in course offerings is creating a more competitive environment. Smaller programs are receiving fewer applications while larger programs are growing, which 'makes year-on-year changes in application volumes harder to predict'.

The Association of MBAs (AMBA), however, says confidence in the MBA is returning. This year AMBA's annual survey[11] reports a boost in AMBA-accredited program applications for the first time in five years – up 5% in 2015 compared to a 14% drop during the previous four years.

Yet there are wide regional variations. For example, Western European applications are up from 2011 while the worldwide trend is down. Among the standouts are Africa, up 4% since 2011, and Oceania (which includes Australia) up 21% in that time.[12]

Australian growth has been fuelled by proximity to developing Asian markets, which are fast becoming more sophisticated and competitive.

For Australian business schools, which graduate more than half the country's international students, it's critical to remain relevant in this dynamic environment and provide clear value to increasingly demanding potential students.

ABDC President, Professor Tony Travaglione, says students (particularly international ones) want an internship. 'They'll want significant interaction with business leaders, they'll want to understand Australian culture.'

MBAs Still Top Currency in the Job Market

Last year a Wharton Business School[13] summit concluded that the MBA degree wasn't going away anytime soon because alternative credentials have not yet been able to establish the same currency as the MBA in the job market.

> ‘There’s a given that, as a business school, you offer an MBA.’ *Professor Maryam Omari*

Professor Maryam Omari, Executive Dean of the School of Business and Law at Edith Cowan University, says: ‘There’s a number of givens in terms of what is the base criteria we need to have as a business school. Beyond that, I think it’s going to be about anticipating: Where’s the market heading? What sort of qualifications are we looking at? How do people want their courses delivered? Where do they want them delivered?

‘This notion of equipping for the world of work – whether it’s at the undergraduate level or at the postgraduate level – where people are coming to really get a qualification or to get themselves equipped to have a career change. It will become about having what business schools all have, but also the niche markets, trying to tap into those,’ Professor Omari adds.

> ‘There is definitely an increase in interest in innovation of various kinds. More MBA students are entrepreneurs themselves already, or planning to do that, compared to the traditional corporate ladder approach.’
> *Associate Professor Grace McCarthy*

In a 2017 AMBA study[14], senior business school staff worldwide indicate that their biggest challenge is delivering innovative and creative MBAs, which requires adapting to changing student culture as well as adopting and updating digital technology used to deliver courses.

Commenting on the study, Danish Faruqui, Managing Director in Parthenon-EY’s Education Centre of Excellence, says: ‘The focus on innovation and creativity in MBA delivery is one of the most compelling findings…and indicates that business school leaders are keen to differentiate their offerings in an increasingly crowded market.’

More than two-thirds of respondents to the study acknowledge the growth in specialist MBA programs.

Fewer MBAs but more Masters

Reports certainly indicate a growth in student choices. There are more non-MBA business Master's programs and new MBA program formats like the online MBAs. These are in line with changed societal expectations about the role of digital learning.

Increasingly, students want to mix and match skills and credentials by bundling degrees.

A number of business schools have introduced 'mini degrees' or MicroMasters that allow students to try out Master's level courses. Students can use credits from their MicroMasters if they later decide to pursue a full Master's degree.

Professor Ian Palmer, Pro Vice-Chancellor, Business and Vice-President at Royal Melbourne Institute of Technology (RMIT), sees a shift in the way business schools are viewing qualifications and skill sets. Eventually, he says, business schools will need to allow people 'to design the knowledge they want'. This could involve students picking their own skill sets and then receiving university credits for skills developed.

Professor Paul Mather, Head of La Trobe Business School, emphasises the importance of industry having business graduates with a wide range of skills developed within a strong disciplinary framework.

The speed of change has created the need for more lifelong learning, outside of formal post-graduate programs. He points to examples like 'smaller chunk size executive education' across people's careers.

Professor Keryn Chalmers, Dean of Swinburne Business School and ABDC Treasurer, says the blueprint for refreshing business courses

incorporates delivering courses in block mode (like two or three days in a row on campus); co-development and partnerships with industry; units of creativity and design that incorporate design thinking and gamification; and analytics.

'This is being applied in the entrepreneurship and innovation space. It applies in the marketing space. It will be applied to the MBA. It will be applied to digital business management, project management,' Professor Chalmers says.

Getting Online

The 2016 Wharton Business School[15] summit concluded that the 'future of business education is a hybrid of technology-enabled learning and face-to face instruction' and many more business schools are offering online programs.

A GMAC survey[16] identifies 9% of global online programs as new in 2017. New growth areas include the Master in Data Analytics programs (36%), Master of Supply Chain Management (19%), and Master of Marketing (16%). These all of which potentially reduce applications for flagship full- and part-time MBA programs.

The Economist says employers 'are looking for people they think have leadership skills, and who can come up with ideas on strategy, but they also need graduates who can carry out specific, complex tasks. They tend to raid generalist MBA programs for the former and specialised Masters programs for the latter.'[17]

'We often mistake the fact that millennials were born digital with a desire for online formats. In fact, millennials want the experiences that come from campus education. Online options appeal most to the

older generation, who can combine them with their full-time jobs.' *Sangeet Chowfla, GMAC President*[18]

RMIT's Professor Palmer says the challenge is for business schools to transform learning and improve how they utilise technology. 'I suspect that every business school would have blended learning strategies or learning transformation strategies and is trying to get more online, less face-to-face or a different type of face-to-face interaction with students these days,' he says.

Associate Professor Grace McCarthy, Dean of the Sydney Business School at the University of Wollongong, says there is a place for MBAs that are fully online but it depends what a student wants from his or her course. 'If a part of what you're doing is developing your professional networks, then I think you can actually do that better in the face-to-face space.'

ABDC President, Professor Travaglione, finds that 'students still prefer face-to-face delivery of MBAs, which provide in-class interactions with fellow students, industry connections and a greater opportunity for networking more broadly. However, online courses do offer quality alternatives for students who find that mode of learning most viable due to their work, family, time and geographical constraints.'

'This has also allowed business schools greater reach and access to business education that may, in turn, improve their ability to reach more diverse and disadvantaged groups,' Professor Travaglione says.

Collaboration and Lifelong Learning

Many business schools have moved to, or are adopting, interdisciplinary approaches to 'wicked' or complex problems. These can involve business students working with industry partners on specific issues;

helping to develop business cases and strategies for startups; and working with entrepreneurs to bring innovative products to market.

Professors from other university faculties and outside experts may also come in to the discussions to broaden student perspectives on ways to approach a problem and expose them to many more inter-disciplinary and diverse worldviews.

'Many of the business schools are in fact investing further in this,' Professor Colm Kearney, Dean of Monash Business School, says.

> 'The future is interdisciplinary. We will increasingly see business schools working with engineering schools, science schools, schools of medicine in this whole area of innovation.' *Professor Colm Kearney*

One example, at the Charles Perkins Institute at the University of Sydney, involves MBA students helping to develop business cases with researchers from different fields, who are interested in issues relating to diabetes, obesity and cardiovascular diseases.

'In the process, MBA students are getting a really firm understanding of the mind of the researcher but, in addition, are helping researchers understand the potential for commercialisation of the things that they are developing,' Professor Gregory Whitwell, Dean of the University of Sydney Business School, says.

Professor Marie Wilson, Pro Vice Chancellor (Business and Law) University of South Australia Business School, says there is a need to bring people together to learn how to work together to resolve issues, solve problems and apply theories to tough problems, as they do in the health professions.

‘There are a lot of lessons we can learn from the way we’ve been developing doctors, in particular, to bring into management education using problems to actually develop knowledge and learning styles,’ Professor Wilson says.

Monash Business School’s Director of MBA Programs, Professor Patrick Butler, says the changes in teaching business have been necessary because ‘you could not train doctors by putting them in lecture hall for five years and then giving them 18 months in a clinic or a hospital ward, but that’s kind of what we’ve been doing with management.’

He stresses the importance of having industry practitioners involved in programs to bring current experience and knowledge, as well as a lean approach with experimentation, with the ability to change tack quickly to fit new contexts and challenges.

> ‘People come to us because they understand very clearly that business models are being upended and strategy means something entirely different to what it did. They know something’s up, they just don’t know what it is.’ *Professor Patrick Butler*

The difficulty of having conversations across different industries makes it critical for business schools to break down walls, provide a place for conversations and explore new knowledge, Professor Michael Gilding, Pro Vice-Chancellor of the Faculty of Business and Law at Swinburne University of Technology, says.

> ‘The movement of knowledge, ideas and people presents new challenges. It’s happening so quickly and transforming so many industries and transforming so many business models.’ *Professor Michael Gilding*

'We're in the process of inventing new ways of embedding distant knowledge locally and I think business schools provide a great opportunity for developing those types of strategies and building those types of collaboration,' Professor Gilding says.

Is an MBA Worthwhile?

A 2017 *Graduate Management Admissions Council Survey*[19] of alumni from 1100 graduate business programs has found they undertake an MBA or non-MBA business Master's program to switch career paths, advance their current career to a higher level, or to start their own business enterprise. These expectations are largely fulfilled.

The 14,651 individuals surveyed in 46 countries report that their graduate management education has:

- Prepared them for leadership positions (86%)
- Prepared them for their chosen career (85%)
- Increased their earnings power (82%)
- Provided opportunities for quicker career advancement (75%)
- Developed their professional network (72%)
- Improved their job satisfaction (67%)
- Prepared them for work-life balance (55%)

Professor David Grant, ABDC Executive Committee member and Pro Vice-Chancellor (Business) Griffith University, says MBA students are 'still by and large coming out and it's giving them a salary uplift. That may vary from institution to institution or program to program but there's still that evidence.'

The *GMAC* report[20] finds that total compensation packages range from a median of US$75,513 for an entry-level position up to a median of US$440,122 for a C-suite executive.

Four-fifths of the alumni are employed in organisations and 11% are running their own business.

This year's *Forbes Magazine*, which surveyed 17,500 MBA graduates around the world from the class of 2012, has found that the top 10 one-year international programs produce an average 'five-year MBA gain' of USD $126,000.

Graduate Management Education	=	**Leadership** **Chosen Career** **Increased Earnings** **Career Advancement**	**Professional Networks** **Job Satisfaction** **Work/Life Balance**

However, Professor Grant says: 'People often use periods of study at the Masters or postgraduate level as something that is a launch pad for them to make a career change…I don't necessarily mean huge radical changes but being much more willing and able to move around in roles both within your organisation and among organisations, and being prepared to take on roles that may differ to your original intention.'

Indeed, more than half of business school alumni surveyed by GMAC work in industries and jobs in which they have no experience prior to business school.

MBA alumni are more likely to work in the technology, non-profit, manufacturing, health care, energy, and utilities sectors. Graduates of non-MBA business Master's programs are more likely to work in finance, accounting, and consulting.[21]

How are MBAs Guiding Future Leaders and Managers?

The *Centre for Workplace Leadership* survey[22] of 8000 Australian managers emphasises the importance of leadership and management in shaping future national performance and prosperity.

The survey says: 'Many leaders and managers are not mastering basic management fundamentals…Formal qualifications are not everything, but formal training provides a foundation for the diverse skills associated with leadership – from technical skills to solving problems and managing change.'

However, it says: 'One in four senior leaders in private sector organisations has no formal training beyond secondary school.'

Developing Future Business Leaders

In 2016, Oxford University's Andrew Pettigrew and Nottingham University's Ken Starkey outlined criticisms of the skills and attitudes developed by MBA students. These included a 'one-sided view of management and humanity, emphasising economic and financial impact at the expense of the social and cultural'.[23]

Associate Professor Gianpiero Petriglieri, who specialises in leadership and organisational behaviour at INSEAD Business School, argues it's not enough for business schools to be knowledge hubs that create and disseminate cutting-edge management theories and best practices. They also need to make the case for authenticity, service, equality and concern for the planet just as fervently as the case for shareholder value maximisation.[24]

'Leaders are not made of knowledge and skills alone. It may have been enough for business schools to train students' minds and hands when other institutions – local communities, long-term employers – took care of hearts and souls. This division of labour, however, is disappearing fast,' he says.

Nomadic professionals, who increasingly move between organisations and countries, have looser community ties and relationships with employers that may last only as long as the employee and employer are of value to each other.

'Business schools,' Associate Professor Petriglieri says, 'don't just give them tools to succeed in their jobs. They provide a field of dreams, and a tribe of sorts.'

> 'Business schools should be developing leaders who have a better understanding of the world in which they do business and who are therefore capable of making better decisions – for business, for the planet, and for society.'[25]
> *Sustainability and Business Advisor, Giselle Weybrecht*

Professor Marie Wilson of the University of South Australia Business School says business education and students have shifted their perspective with many students looking to change careers and find more meaning in their work.

'There are still some of the stereotypical few hard-nosed MBA students out there but they're part of this emerging and increasingly diverse form of students...The profile of programs across Australia and internationally reflects that,' she says.

Professor Wilson says she knows 'an awful lot of them who have a much broader view of life.'

> 'Business education has changed to be more engaging and to look at social challenges and social problems as well as P and L [profit and loss], which are still important but are only part of the picture.'
> *Professor Marie Wilson*

Business schools are focusing more on preparing graduates to be new types of business leaders: ones who understand the requirements of ethical and sustainable business practices and the concerns of stakeholders beyond their own shareholders.

Associate Professor Bob O'Shea, Executive Dean of Federation Business School, says they are people who see they need to make a

change within their community as well as turn a profit. 'In other words ... a business leader with a conscience, empathy for the people in the organisation and empathy for the community that they serve in.'

The fast pace of change in global workplaces means that business schools are educating future business leaders for a number of successful and impactful careers during their lives.

One person's career may span twice as many industries and even three times as many different jobs as in the past. 'It's become much more dynamic, much more malleable, much more challenging,' Monash University's Professor Kearney says.

Who is Studying MBAs?

The *Graduate Management Admission Council* and *IPSOS*[26] report on core motivations of business school graduates in 15 countries segmented applicants into the following categories:

- *Respect Seekers* – who want to enhance their standing among their colleagues, be seen as a role model, and make their parents proud
- *Global Strivers* – who are motivated to pursue a graduate business degree to develop their expertise, improve their management skills, gain international exposure, and access employment opportunities in other countries
- *Balanced Careerists* – who have motivations related to financial improvement and career advancement, tempered by a need to achieve their goals in a way that causes as little disruption to their lives as possible. In selecting a school, they are uniquely motivated by convenience factors – proximity to home, availability of online classes, and ease of acceptance, for example
- *Career Revitalisers* – who are seasoned professionals driven by a desire to reinvent themselves and advance in their career. They are more likely to be motivated to obtain a graduate business degree, because of a work-related issue, and intend to go to school part-time while they continue to work

- *Socio-Economic Climbers* – who want to improve their socio-economic status so they can provide themselves and their children with a better future while also having a fulfilling career
- *Skill Upgraders* – who want to improve their skill sets so they can be considered experts in their field
- *Impactful Innovators* – who are motivated to obtain a graduate management degree in order to develop their skills and bring their dreams to life. They are more likely to be motivated by a desire to have a social impact than earn more money. Impactful Innovators are most likely to be self-employed and have a curious, entrepreneurial spirit.

Are MBAs Doing Enough to Create Female Leaders?

Women outnumber men in undergraduate business programs but comprise well under half of MBA cohorts.

Globally, the *GMAC Application Trends Survey* for the 2017-18 year has found that women account for 39% of MBA program applicants of the incoming class – up from 33% in 2013.

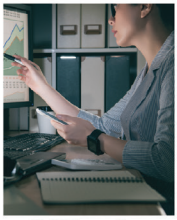
Respect Seekers

Global Strivers

Balanced Careerists

Career Revitalisers

Socio-Economic Climbers


Skill Upgraders

Impactful Innovators

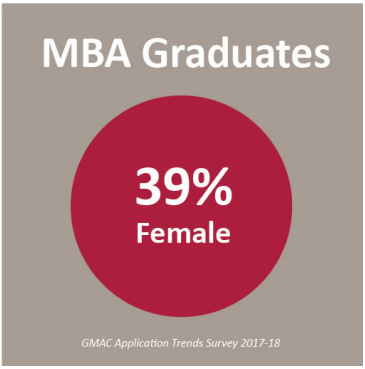
In contrast, women accounted for 54% of applications to business Master's programs, the same as in 2013.[27]

Certainly, the ranks of women in MBAs have swelled since 1962 when Harvard Business School granted women admission into its MBA. But the phenomenal progress of women in higher education – particularly in graduate management education – has not translated into MBAs, a recent GMAC report [28] says.

Gender Balance

Researchers Avivah Wittenberg-Cox and Lesley Symons,[29] have argued: 'You might expect organisations that teach the latest in leadership theory to practice what they preach. It ain't happening.

'There is a raft of research showing that improving gender balance leads to enhanced business performance. But business schools, which serve as talent pools for companies that are working on their own gender balance, seem stuck in yesterday's statistics,' they say.



The pair point out that MBA programs attract the future leaders of the world's largest companies: 31% of 500 largest public companies worldwide are led by an MBA graduate.

However, 'we've observed that having an MBA gives neither men nor women the skills they need to build and lead gender-balanced teams. No wonder. As Lesley has shown in her research on business school case studies, the learning tools used in MBA programs feature case studies dominated by men. The faculty are mostly men (tenured faculty even more so). And executive programs are even more male-dominated than MBA classes. If you add all this up, neither women nor men are getting much experience of gender balance at the world's top business schools,' they say.

Why Do Women Want MBAs?

The *What Women Want*[30] report says that women value MBAs as passports to wider career advancement and leadership opportunities in business and are more likely than men to hold the MBA degree in high regard.

They are more pragmatic, outcomes-focused and are more inclined than men to apply to a specific school because it offers flexible program formats and better job opportunities for graduates.

Women, in western countries particularly, tend to be motivated by the desire to advance more quickly and earn more money, but their motivations are very different from men's. US and European women lean towards being *Balanced Careerists*[31] and *Socio-Economic Climbers* Women in India are more likely to be *Global Strivers* while Chinese women are more prone to being *Career Revitalisers*. In India and China, women's motivations and application behaviours are more like those of men in their countries.

Early planning and convenience are important: women are more likely than men to begin considering graduate management education as undergraduates and then apply when timing is convenient.

Finance is the biggest barrier to women globally.

> 'Almost one-third of US female applicants say money is their biggest challenge compared to only 9% of men.'[32]

'*Balanced Careerists* and *Socioeconomic Climbers*, who report experiencing the greatest funding challenges, are the least likely to pursue an MBA degree and most likely to seek a non-MBA degree instead. These candidates also are less likely to say they are willing to pay whatever it takes to attend a top-ranked business school,' the report says.[33]

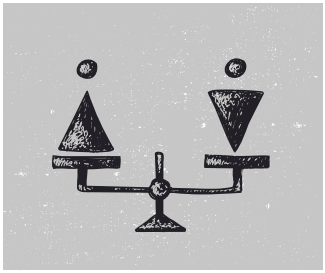
Macquarie Graduate School of Management research[34] has found that disincentives for women enrolling in an MBA are:

- Lack of female mentors or role models in business – women more often do not associate an MBA with career success when they look upwards in their organisation and see few women in leadership roles
- Persistence of a gender gap in salaries – women more often calculate that the financial investment will not reap a return
- Group work and intensive classes are a challenge for working mothers
- Work-life conflict issues, which are greater for women who are often the primary caregiver – even if they are the breadwinner.

Employers, who have the biggest single role to play in helping women to overcome their concerns about enrolling in an MBA, may also be unsupportive.[35]

When it comes to completion of MBAs, time and cost are the primary barriers to women.[36] There's also a gap in how male and female MBA students perform.

A recent Columbia Business School study[37] has found that women perform more poorly than men in technically oriented classes like Accounting and Finance, but not in socially oriented classes like Leadership and Marketing.



Researchers say that female students hesitate to ask the questions that help them master technical concepts and procedures and this has a 'profound effect' on their overall achievement in MBA classes.[38] Their background also has an effect on their performance with female students, since they were children, being more interested in people and management than finance and numbers.

However, researchers say that women don't appear to internalise the stereotype of males being better at technical work: instead they try to compensate for their lack of assertiveness in lectures by making extra effort in private.

Women in MBA Program (WiMBA)

In 2015, five Australian business schools signed on to the *Women in MBA* initiative (WiMBA), which encourages gender diversity in leadership by partnering with corporate and government organisations to identify their top female employees and support them through an MBA. Companies provide funds that are matched by universities so the MBA places are fully-funded.

The WiMBA program includes the business schools at Curtin, Macquarie and Monash Universities, and the Universities of Wollongong and South Australia. Combined they now have 114 corporate partners, 163 sponsorships committed, 129 female students enrolled and three graduates.

'Why do they need a hand? Because of the very stuff that you'll see from the company directors and the regular reports: every year there's a low percentage of female representation on boards, particularly on corporate boards – it's slightly higher in the not-for-profit area,' Associate Professor Grace McCarthy of the University of Wollongong, says.

'Women often don't even apply for the positions that come up. So... confidence and competence are equally important.'

She says that women may be comfortable in their jobs but haven't always taken enough time to think about their careers. 'If a man has 70% of what is required for a job he will apply because he thinks: 'Well I might be the best on the day.' Whereas a woman feels, 'I have to be 150% of what they are looking for before I apply.'

The University of Wollongong provides WiMBA students with mentors to help them work through things like competing priorities; work-life balance and time management; where they are going wrong when

talking about their career; and how to position themselves to take up opportunities as they arrive.

'That mentoring is…a very important part of that journey for [WiMBA] women who are typically in their 30s,' Associate Professor Grace McCarthy says. 'Some of them have been non-stop.'

> 'They've come through school, come through university into the workforce, and this is a chance for them to actually think strategically about their careers.'
> *Associate Professor Grace McCarthy*

WiMBA is a practical way to help get more women into the senior ranks of business, says former NSW Premier, Kristina Keneally, now Adjunct Professor and Director of Gender Inclusion at Sydney's Macquarie Graduate School of Management.

'Without programs like WiMBA, companies are going to run into a real challenge in meeting their gender equity targets…It doesn't matter how many KPIs we set for people to meet gender targets; if we don't have women coming through with the qualifications and skills, it's going to be very hard to meet them,' she says.[39]

Diversity Opening Minds

The challenges of developing diverse cohorts of leaders are also reflected in a 2016 Australian Human Rights Commission report,[40] which found that 77% of the Chief Executives of Australian Stock Exchange (ASX) 200 companies have an Anglo-Celtic background, 18% have a European background, 5% are from non-European backgrounds and no CEOs are of Indigenous background. This compares with an estimated one third of Australians having a non-Anglo-Celtic background, almost half the population being born overseas or having one parent born overseas and 3% of the population being Aboriginal or Torres Strait Islander.

A number of Australian business schools are deliberately trying to increase the diversity of their students through careful targeting of student recruitment.

Also vital is ensuring that student cohorts represent different sectors so, for example, public service managers will interact with those from the private sector.

'We often talk about rapid cycles in business where…a year is the norm and maybe three years for many companies now is a long-term strategic plan. Whereas in social infrastructure it could take you five years to gather the resources for a project, 10 years to roll it out and you might not be able to assess its impact for a generation,' Monash Business School's Professor Patrick Butler says.

'People with that insight crashing up against people with a different perspective, that's where the learning begins.'

Endnotes

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Skilling Business Graduates for an Uncertain Future

ABDC

Australian Business Deans Council Publications

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What? You Want to Talk to Me?

They may be seen as 'soft' but the people skills of business graduates are increasingly vital in a world in which up to 40% of current jobs are predicted to disappear in the next 10 to 15 years.[1]

Even in areas known for more technical or 'hard' skills, employers want adaptable business school graduates who can communicate well, solve complex problems and work effectively with others.

No longer will it be enough for accountants, for example, to look only at the figures as they will need to be able to tell a business narrative that gives the numbers more meaning.

However, teaching and learning 'soft' or 'life' skills is challenging for business schools, which are using an ever-expanding range of learning experiences to educate graduates for a more automated, globalised and flexible business world.

Not Feeling Your Pain

Employees who lack soft skills can disrupt workplaces, impact staff on well-being and hurt the bottom line of Australian businesses, which spend $7 billion on recruitment and $4 billion on training each year.[2]

A recent Deloitte Access Economics report[3] put the cost of new hires who stay in a job less than a year at between 50% and 200% of the employee's salary – a strong financial incentive for employers to ensure they hire graduates with the right skillsets.

Poor interpersonal skills cause 46% of newly hired employees to fail within 18 months

In 2015, a U.S. *Leadership IQ* poll[4] of more than 5000 recruiters in public, private, business and healthcare organisations found poor interpersonal skills caused 46% of newly hired employees to fail within 18 months.

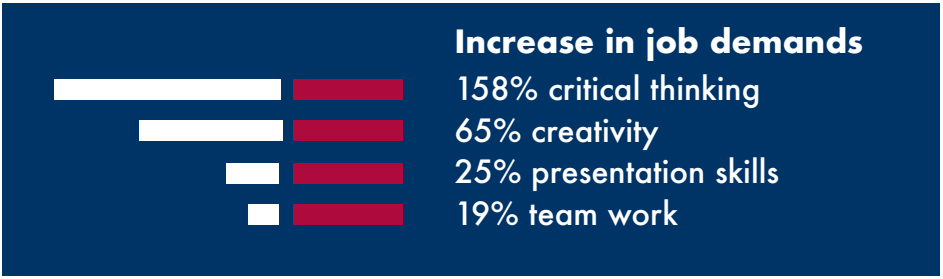
In a McKinsey survey[5] of young people and employers in nine countries, 40% of employers said lack of skills was the main reason for entry-level job vacancies. These gaps included soft skills like communication, teamwork, and punctuality.

The report said: '26% of new hires fail because they can't accept feedback, 23% because they're unable to understand and manage emotions, 17% because they lack the necessary motivation to excel, 15% because they have the wrong temperament for the job, and only 11% because they lack the necessary technical skills.'

In a McKinsey survey of young people and employers in nine countries, 40% of employers said lack of skills was the main reason for entry-level job vacancies. These gaps included soft skills like communication, team work, and punctuality.

Softly Skilling Up for the New Work Order

Last year's Foundation for Young Australians' *New Work Order*[6] report analysed more than four million unique employment advertisements on 6000 websites. It found that jobs demanding critical thinking had increased by 158%, creativity by 65%, presentation skills by 25% and teamwork by 19% in the three years to 2015.



The report also said today's graduate would have up to 17 different jobs in his or her lifetime.

'Educators today are preparing students not only for the jobs that exist, but for jobs that don't exist and there isn't any point in that context in focusing on a specialised area, given that that area may no longer exist,' former Dean of University of Technology Sydney (UTS) Business School, Professor Roy Green says.

'It's better to be preparing students to be agile and adaptive thinkers, to be able to take account of anything that comes their way and to be able to shape their own future as well as adapt to it,' he says.

From Reading Content to Finding Context

Head of La Trobe University Business School, Professor Paul Mather, says graduates need innovative thinking and creative problem solving to equip them 'to shift the type of work they do – careers really – as things evolve and change'.

> 'The concept of a career is being shaken to its core.' *2017 Global Human Capital Report*

The pace of change has caused a great deal of anxiety so it's imperative for business schools to prepare graduates to 'face change, deal with what's coming over the hill (even when we have no idea what it's going to look like), be much more flexible and really adapt at a much quicker rate,' Swinburne University Dean of the Business and Law Faculty, Professor Keryn Chalmers, says.

> 'That's the world we're in and staying the same isn't an option.' *Professor Keryn Chalmers*

Pro Vice-Chancellor of Griffith Business School, Professor David Grant, says it's important for business students to think about their value to potential employers and their value as leaders.

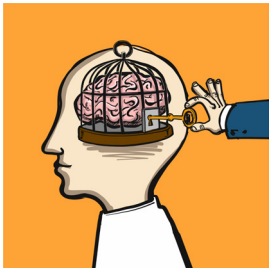
Teaching basic communication or team working skills is one thing but 'it's another proposition to teach how those apply to the leadership or management of a business, or a particular business or organisational scenario,' Professor Grant says.

'Business school staff tend to be very knowledgeable about their chosen area of expertise…but when you're asking them to build in other attributes – creativity, innovative thinking, resilience, teamworking and so on – it becomes a little more of a challenge.'

> 'It is much harder to teach soft skills than hard skills.'
> *Professor Maryam Omari*

Executive Dean of Edith Cowan University Business and Law Faculty, Professor Maryam Omari, says: 'It requires a deeper level of understanding of the self for the student. Also, you need instructors and lecturers who've got a higher level of skill.'

Creating Learning Communities



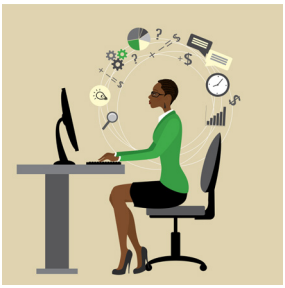
Pro Vice-Chancellor of Royal Melbourne Institute of Technology (RMIT) Business School, Professor Ian Palmer, also emphasises the shift away traditional 'lecture, tutorial, stand and deliver, and regurgitate' teaching. Anyone connected to the internet can gain knowledge so the focus is now on the value added when students come together as a community of learners.

Professor Palmer asks: 'How do you create experiences that show the need for empathy and the need for understanding as key elements and skills in any business education course?'

> 'I think it's around creating experiences and bringing people in from industry to reinforce that.'
> *Professor Ian Palmer*

'Business schools are focusing much more on emotional intelligence, which includes people-centred leadership and management styles far removed from the 1950s command and control style models,' Professor Palmer says.

Values-based education and the importance of a moral compass are also high on the agenda. 'Critical parts of trust, credibility – the sort of things that employees are looking for when they assess whether or not they want to work for an organisation,' he says.



'We're now operating in a different world – a world where skills matter, tools matter, but expertise and authenticity are also required.'
John Seely Brown,
Chair, Deloitte Centre for the Edge

Dean of the Monash University Business and Economics Faculty, Professor Colm Kearney, says most leading business schools are investing many more resources into assisting students to develop their own value systems 'to be aware of who they are; what they stand for; what their aspirations are; and to be able to debate and discuss these with their peers and seniors in workplaces.'

However, soft skills do take longer to learn than discipline-based skills. 'I can teach you the basics of accounting very quickly, but I can't teach you the basics of effective leadership, emotional intelligence, teamwork, aspects of negotiation, conflict management – they come over a long period of time,' Pro Vice-Chancellor of Newcastle University Business and Law School, Professor Tony Travaglione, says.

He argues that the time factor gives the university three- or four-year degree the edge over short courses and Massive Open Online Courses (MOOCs). University courses also provide valuable extra-curricular activities and interaction with lecturers, students and business people.

A university providing a student with the opportunity to present to a boardroom of a significant Australian company, or be asked questions by business leaders, can build public-speaking confidence more than numerous classroom presentations and 'that's what business schools are doing very well at the moment,' Professor Travaglione says.

Business schools continuously work on better ways to teach professionalism and create professionals who can adapt to different organisational cultures and business scenarios.

University of South Australia Business School Dean, Professor Marie Wilson, says students are increasingly exposed to industry practice.

'Whether it's through simulations, whether it's working on projects with industry, whether it's in placements and tours and those kinds of activities...'

> 'Bringing the business community and the university community closer together to try to make that transition open, engaging, and realistic as people come through.'
> *Professor Marie Wilson*

Balancing the Virtual and Physical

Universities are also experimenting with ways to harness new learning technologies although they are well aware of the need to balance virtual with the sort of physical learning that gives students access to personal mentoring and interconnections.

'Many of our students come to universities not to see us on a screen but to get access to us personally,' UTS Professor Roy Green says.

Many universities, like UTS, blend online and on-campus learning. 'Simply relying on lectures is no longer adequate for a generation which can use the internet and software to its advantage very successfully,' Professor Green says.

Business schools led the use of 'flipped classrooms' in which students view lectures online, or prepare with other information, before going to university for face-to-face sessions.

Technology also enables students to work virtually with businesses on real-life projects.

RMIT runs globally connected courses with, for example, Melbourne students linked to US and Irish students studying the same subject. 'They create virtual teams across three countries and sometimes bring them together to present to an industry group on a real problem that they globally connected and solved,' Professor Ian Palmer says.

Connecting Throughout Australia

The skills developed through connection with business are particularly important in rural and regional Australia, which suffers from a brain drain to urban centres.

The regional Charles Sturt University (CSU) encourages local work placements and strong networking between businesses and students.

'We try to breed our graduates (for want of a better expression) to really engage with communities so…they want to go back into community…We really try to get them employed locally, to boost the professional life, rather than just studying locally and then heading off to Sydney or Melbourne,' Executive Dean of the CSU Business, Justice and Behavioural Sciences Faculty, Professor Tracey Green, says.

Head of the University of New England Business School, Professor Alison Sheridan, says regional Australia needs open-minded professionals who can recognise and adapt work practices to changing labour market trends.

'They're our future businesses in regional Australia and we need them to be flourishing,' Professor Sheridan says.

> 'Traditional mindsets will not set them up well for their businesses in the future.' *Professor Alison Sheridan*

She points out that there's also an impetus to support entrepreneurial skills as students move more towards creating jobs in new businesses rather than taking jobs.

Challenging Cultural Conservatism

Australia's business schools graduate more than half the country's international students and with their diverse cultures come different approaches to learning.

For example, La Trobe's Professor Mather says, radically shaking up accounting or finance degrees can lead to some students saying, 'Hey, hang on. We want the more traditional thing because that's what our market requires.'

UTS Professor Roy Green, says: 'I think we're finding with international students they're still a lot more dependent on lectures and notes and so on, but many of the other students we get tend to be able to access learning materials themselves.'

But it's not only some international students looking askance at soft skills education. Executive Dean of Swinburne University's Business and Law Faculty, Professor Michael Gilding, casts the net wider.

'Firstly, [students] think they know them already, and secondly, they are more subjective. They aren't courses where you know exactly what you have to do – they are intrinsically more ambiguous. The challenge for universities is to develop those soft skills so they are embedded in the delivery of the course,' Professor Gilding says.'[7]

However, this undercurrent of resistance to new methods – particularly those that teach soft skills – is not stifling innovation. Business schools are building online platforms, computer games and interactive systems, which immerse students in situations that develop soft skills.

In 2014, the University of New South Wales created the world's first gamified economics course, Playconomics[8], which teaches microeconomics by putting students in the shoes of economic decision makers.

In 2017, Swinburne University's mobile learning accounting app, Quitch[9], won the American Accounting Association's *Innovation in Accounting Education* award.

Quitch taps students' addiction to mobile devices and uses gamification techniques to engage, challenge and reward them. It has increased student retention rates by 12% and student performance by 7%.

Deakin Business School students use a cloud-based system, built on the Monsoon Sim gaming platform, where players run virtual companies and compete for the highest profits. The simulation combines subject knowledge and soft skills – specifically team management, people skills and entrepreneurship.[10]

Monash's Professor Colm Kearney says gaming enables students travelling during their working day to 'be on their mobile phones accessing gamified content on how to reinforce empathy' and also to 'learn the interactions they are having in their everyday lives.'

Breaking Down Learning Silos

Business schools are championing the integration of students across universities; providing a wider breadth of knowledge and worldviews by bringing students and experts from different disciplines together.

Stanford Graduate School of Business is using cross-curricular skills with Performing Arts improvisation experts teaching students how to speak spontaneously.[11]

At Swinburne University, Professor Keryn Chalmers says, they are moving IT, maths, business and marketing students, for example, into groups that work across school boundaries.

> 'This gets students 'out from their own little cabins.'
> *Professor Keryn Chalmers*

'Mixing and mingling a lot more to try to develop their social skills and so-called soft skills (really their life skills) that they need to be able to thrive moving forward,' Professor Chalmers says.

As business schools continue to develop soft skills education, their evolving teaching methods are helping to change learning culture as a whole. And it appears that, as people and organisations become ever more connected, there's no going back.

Can we have too many world citizens who are self-aware, good communicators and able to see another point of view?

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