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## **MBA education: a must in a competitive Romanian business environment**

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**ABSTRACT:** The effective management of Romanian companies can represent an advantage in a competitive business environment, shaped by the end of transition, the EU membership and the globalisation process. MBA programs represent, in our view, the key for the implementation of management theories and practices whose effectiveness has been validated by Western countries experience. The Romanian market developed slowly since 1993, with three major players dominating it: the Romanian-Canadian MBA, ASEBUSS Executive MBA and CODECS. These programs and the more recent entrants are facing legal recognition uncertainties and competition from the new professional master programs that will be developed under the Bologna framework, in addition to competition from delocalising European and American MBAs. The responses of Romanian MBAs to these challenges are critical for their future in an increasingly competitive environment.

### **INTRODUCTION**

The Romanian business environment is currently facing a series of challenges that need to be addressed properly in order to gain a strong position in the European business framework and maintain it over the long run. The first challenge comes in the form of an increased maturity of Romanian companies that can be observed through the adoption and use of modern business techniques and market approaches and is reflected in an intensified competition in almost all business areas and industries. This heightened competition is the result of the end of Romania's transition process towards a market economy and is by all means natural and definitely expected. The historical realities, on the other hand, determined by the country's accession and current membership to the European Union, added to the effects of this process. Starting with 1993, the year when the Association Treaty to EU was signed, it was obvious that the Romanian society and the Romanian business environment in particular will suffer major changes until and after the effective membership to EU. This represents the second challenge that Romanian companies are confronted with and is also reflected in an increased competition, but manifested on a different level. As such, Romanian companies see on their domestic market the presence of European companies, generally unrestricted and open, and are forced to operate in a larger business environment and to compete with companies that lived in a market economy and are using business strategies that are more or less new to their Romanian counterparts. The third challenge is represented by the greater than ever extent of the globalization of business, which forces Romanian companies to compete not only at a European level, but at a global one, with firms with more experience and knowledge than theirs. Therefore, as one can notice, competition is the key word in the current and most certainly future business environment.

Given these considerations, the question regarding the ability of Romanian companies to successfully be present in such an environment where geographical boundaries disappear one by one is appropriate. This ability is based, in our view, on the competitive advantages that Romanian companies possess and will build against their European and global counterparts. Besides the traditional sources of competitive advantages - innovations at product and process level, the existence of lower costs, the possibility of raising an entry barrier in an industry, the niche production, the benefits of aggressive marketing networks -, the effective and modern business management is certainly the must that Romanian companies should possess in order to have a word in this new setting that confronts them. The mastering of modern management strategies will definitely help Romanian companies consolidate their competitive positions in the European and global business environment. At the same time, the efficient management at the microeconomic level will have positive influences on the economic growth, by avoiding negative phenomena that can affect the communities from which the companies originate, the work places and the environment.

### **THE MBA – A MUST**

Master of Business Administration (MBA) is one of the most well-known graduate programs in the world and offers a professional degree in management needed by those that want to operate in business. MBA is synonymous with professionalism and maturity and more often it is a sine qua non condition for a top managerial position. According to a study published by *The Economist* in October 2003, more than 50 per cent of the CEOs of North American and Western European corporations have a MBA degree.

The concept of MBA was born at the beginning of the 20<sup>th</sup> century in United States. Business schools have their origin in a pragmatic mix of intellectual challenge, social need and practical efficiency. In 1908, the President of Harvard University was saying:

*“We are just establishing a school of business administration which is to be for graduates only...It is our last contribution to the list of professions for which Harvard prepares...It means that the universities propose to supply, in the end, the leaders in business...We do propose to train systematically in the universities a large class of men who will make a probable success in business, because they know all the administrative methods therein used....”*

Since then the content of MBA programs was continuously reshaped to answer the needs of a changing business environment. In the past twenty years we can identify some trends for the MBA programs: reduction of the length of programs; different forms of MBAs: intensive or full-time, part-time, executive, international; internationalization of MBAs.

One cannot talk about an MBA program without taking into account three important aspects: (1) skills: an MBA offers managerial knowledge, but it should develop skills like teamwork, leadership and communication, necessary for a competitive management; (2) networking: an MBA diploma offers access to a network of graduates, professors and business people; (3) brand: an MBA diploma is a recognized brand, a mean to construct a successful business career.

Management education has produced in the past decades leaders capable to create effective organizations that are in the center of the profound results recorded at the global level. The value of management education for individuals, organizations and society is incalculable. Management education graduates are persons that like things to happen. For individuals, management education develops a portfolio of abilities necessary to make decisions, to communicate, to solve problems, to lead organizations; professional competencies to integrate and apply knowledge; a strategic view on management; adaptability to different businesses; personal wealth; and capacity to get involved in philanthropic activities. The connection between education and business started in 1881 when the businessman Joseph Wharton asked University of Pennsylvania to develop the first business school in the world. Since then, the impact of management education and the practice of an effective management can be seen at the level of organizations in the research developed that generated ideas, theories and knowledge that helps to increase the organizational efficiency; the application of new technologies; the production of goods and services to enhance the quality of life; the facilitation of innovation. Graduates of business schools are not only helping organizations to meet their goals, but management education serves as a catalyst for innovation and continuous improvement.

There is a very important relationship between business and society. Society depends on the business environment which creates wealth and contributes to higher quality of life. Business depends also on society. Management education contributes to the society through the creation of organizations that ensure a better life for participants; supply of goods and services; creation of wealth and opportunities for economic development; creation of jobs.

There are several forces that drive today's competitive and tumultuous market of management education: business school ratings (developed by important journals like Business Week, Financial Times, Forbes) that provide recognition of the quality of graduates; non-traditional competition (development of different types of programs in different formats and schedules, more or less relevant, more or less rigorous); emergence of corporate universities (corporations create their own programs that train their employees); fund raising mandate (business schools have to develop an important function of raising money for scholarships, centres of excellence, etc); high students expectation (they perceive themselves as customers); rise in distance learning (as a non-traditional education); rising program costs (due to faculty salaries, recruiting costs, placement costs). To succeed in such a competitive market, business schools have to position themselves in the market, to build a strong brand, to develop world class faculty and world class infrastructure and to have a strong alumni network.

One measure of the MBA program value that is currently gaining acknowledgement refers to the return on investment (ROI) that such a degree may offer to its holders. Since the cost of such programs has increased in time and their costs have to be recovered by the graduates, such a measure becomes critical for anyone intending to pursue an MBA, given the global decline in high paying jobs and a commoditization of professional degrees. In a recent study, Davies and Cline (2005) reach to an encouraging conclusion for MBA graduates: using data for the 1995-2003 period, they find that an “average” MBA fared spectacularly better than an “average” college graduate in terms of unemployment rate, starting salary, compensation growth and likelihood of participating in the workforce. The perspective of the MBA as an investment is strongly supported by the two authors, in contrast to the cost perspective that one would normally have on such program. Applying the traditional investment valuation tools – breakeven point, net present value and internal rate of return -, the MBA degree looks more promising than any other graduate degree (MA or MSc) and this represents the main rationale for students around the world to pursue such an education.

## GLOBAL CHALLENGES FOR MBA PROGRAMS

After a boom in the first part of the '90s, the management education around the world started to feel a number of growing pressures particularly from the students and the businesses that employ them after graduation. Management education is currently transformed under the influence of a number of variables, of which the most important refer to the needs of potential customers for such education, the requirements of the employers regarding the knowledge and skills of graduates, and the resources available to business schools. At the same time, management education at a graduate level is offered not only in the traditional university-based framework, but also in for-profit institutions, such as corporate universities, consulting companies, company-based training departments and executive development centres. This leads to a heightened competition, while the employers of graduates are not at all indifferent to the management education provider. Indeed, the reputation of a business school discriminates between graduates and is reflected in their employment and payroll.

At present, businesses and business schools face some major challenges at the global level:

1. Preparing the new generations of business leaders: the skills and competencies necessary to be taught in business schools are changing.
2. Optimizing the research in business schools: research themes should be relevant for businesses and not for academics and there should be an effective way to communicate results to business leaders. One way of encouraging research is represented by the development of case studies by mixed teams of professors, students and businesses, adapted to the local business needs.
3. Meeting the challenges of globalization: globalization affects business schools too, as they have to prepare graduates capable to face global challenges. Regardless to their scale and students' profile, business schools need to adapt their curricula in order to address two opposite trends: on one hand, the increasing need for training on global business operations, and the need for locally adapted training, on the other hand.
4. Mutual and increasing engagement between businesses and business schools: the involvement of the business community in the development of business schools, making sure that the graduates are prepared to face the business realities, which can be made through Advisory Boards, but there should be also other ways to be developed.

#### THE ROMANIAN MBA MARKET

In Romania after 1990 there is a national need for new professional business people trained to work in a global, market-oriented and competitive environment. Naturally, the market for professional business education was perceived to be an open one and training providers could comfortably assume a constant demand for their products. Seventeen years later, that market has been infused with a variety of institutions offering different types of business training. We can identify several important MBA programs:

- Romanian-Canadian MBA within ASE Bucharest: currently offers a part-time two-year MBA (MBA In Action) in partnership with a Canadian university – University of Ottawa. The Program also offered until this year a full-time MBA that was cannibalised by the part-time program. The Program offers two majors, in Marketing and Finance.
- ASEBUSS: offers an executive MBA program since 1993, is a private business school that has a partnership with Kennesaw State University since 2003.
- CODECS: offers a distance learning program having a partnership with Open University, United Kingdom.

Besides these three important programs, there were also developed other programs that have a lower profile. ASE Bucharest developed several programs with different European partners (INDE with a French partnership, another one with a German partnership, a Direct Marketing MBA and a Marketing and Sales MBA with Gallup partnership). Other foreign universities were entering the market creating partnerships with University of Bucharest (Tiffin University), with the Foundation for the Promotion of European Education (University of Wales) and with Romanian American University (Desales University, USA), or with Romanian Banking Institute (City University, Bellevue, USA).

At the same time, a number of MBA programs have been developed in other major Romanian cities, some of them

involving foreign partnerships. At present, five universities are offering such programs: Vasile Goldis University of Arad, Oil and Gas University of Ploiesti, University Transilvania Brasov, University of Oradea and Gheorghe Asachi Technical University of Iasi. Although with a regional focus, these programs represent additions to a growing market in a country that is at the end of the transition and facing new opportunities and challenges once a member of the European Union since 2007.

All these programs are quite different in terms of the length of the study period, tuition costs and faculty teaching, as illustrated in Table 1.

**Table 1. Diversity of major MBA programs in Romania**

Program	Study period	Tuition	Professors
Romanian Canadian MBA	24 months	10,000 euro	Romanian and foreign
Tiffin University MBA	24 months	15,550 euro	Foreign
INDE EMBA	24 months	4400 euro/year	Romanian and foreign
Desales University MBA	18 months	15680 euro	Foreign
CODECS	30 months	10870 GBP	Romanian and foreign
Romanian Banking Institute	18 months	N/A	Romanian and foreign

But the competition in this market is amplified also by the programs that exist in the neighbouring countries and attract Romanian students. Two recent entrants in the market are IEDC from Slovenia and CEU Business School from Hungary. CEU Business School opened in Bucharest a branch last year for the weekend MBA program, offering majors in Finance, Marketing, Information Technology Management, Real Estate Management and General Management, with faculty teaching in Budapest and Bucharest. Another recently launched program is an Executive MBA jointly developed by Petrom Romania, Erste Bank and Wirtschaftsuniversitat Wien. This in-house MBA program is more or less similar to the MBA program hosted by Romanian Commercial Bank and HEC Montreal, opened in 2006.

#### ROMANIAN MBA – THE ROAD AHEAD

Under these circumstances, the Romanian market for MBA programs is, in our opinion, at a crossroads. A number of unresolved issues must be taken into account by MBA programs with the goal of creating a true competitive market for this type of postgraduate programs. We briefly review these issues and suggest possible responses from MBA program managements, but also from Romanian decision authorities.

(1) The legal framework for the functioning of MBA programs has been unclear in the past years and it continues to be so, particularly when we refer to the Bologna process, which impacts Romanian graduate and postgraduate programs. MBA programs do not benefit from a special reference in the Romanian legislation, as they have always been considered master programs. During communist times, there was no such degree as MBA and the managerial studies in universities fell under the academic degree structure rather than the

professional degree assigned to MBA in the Western world. But this manner of considering MBAs is blind in recognising the major differences that exist between traditional master programs (either in form of Master of Sciences or Master of Arts) and MBAs. MBA programs have a strong applicative and pragmatic feature that is incorporated in the teaching process in all the courses being offered to students. Also, students are not ordinary: they are typically benefiting from strong practical experience and most of them, particularly in Executive MBAs and Weekend MBAs, hold middle to top management position in local or international companies. Ignoring at least these two particularities of MBA programs leads to a disturbing and dangerous confusion among potential candidates. The shaping that postgraduate programs seem to take under the Bologna frameworks is not encouraging either. The current legislation (Law 288/2005 and HG 404/2006) states that master programs aim either at strengthening knowledge acquired during graduate studies or at gaining complementary competences in other fields. Under this ruling, MBA programs fall into the second category, at the same level with other master programs, more or less different in terms of curricula, objectives and competences offered to graduates. At the same time, this opens the competition to all master programs that somehow position themselves as MBA-type programs, although being far in reality from the MBA structure and requirements. Under these circumstances, the accreditation of the MBA degree becomes a critical issue, since it is not officially recognised as a degree by the Romanian Ministry of Education. Also, there is no private entity that has the legitimacy of an accrediting agency. We believe that the special recognition of this degree would represent a major advancement in the consolidation efforts of Romanian MBA market.

(2) Partnerships with local and international businesses are essential to the success of MBA programs. These partnerships can embrace many forms, from companies financing MBA studies for their management, to CEOs and other top managers teaching in MBA classes, to projects developed in cooperation with businesses, and to the involvement of businesses in the schools' boards. A good example in this direction is represented by the Small Business Development Centres (SBDC) found in US schools, which receive funding and support from the Small Business Administration, are housed within a university, and offer training and counselling to small business owners and managers. To our knowledge, no existing Romanian MBA program disposes of such an entity at present. Another example of a functional partnership is represented by the "in-house" MBA programs that are addressed only to employees of a specific company or industry. At present, only one such program exists on the Romanian market, provided by HEC Montreal within the Romanian Commercial Bank (BCR).

(3) Partnerships with European and American MBAs, which include the recognition of the graduation diploma, are a magnet for any potential candidate for an MBA program. As the European educational framework encourages student mobility and the financing of graduate studies becomes accessible, such partnerships are, perhaps, one of the most powerful tools in attracting local students, willing to maintain their jobs and study at the same time. At present, all major MBA programs offered in Romania are the result of partnerships between Romanian universities and North American, British, French or German universities. Still, to our knowledge, none of the MBA programs developed under such a partnership framework offers to its graduates the same diploma that a genuine graduate of the foreign partner holds. This might represent in

short time a major area of concern for the existing programs, since the market will soon feel the impact of European and North-American programs that will start to develop their own programs locally in the Romanian market.

(4) The development of strong and supportive alumni networks is another must for the performance of MBA programs in Romania. Alumni networks are everywhere in the Western world an indispensable body attached to MBA programs, as they assist schools' management in designing the appropriate curricula and adapting it to the needs of the local business environment, sometimes different from the traditional MBA curricula taught in Western schools.

(5) Faculty training, development and retention is at the heart of a successful program. As presented in Table 1, faculty teaching in Romanian MBA programs is either entirely foreign or formed of Romanians and foreigners, the latter typically from the partner universities. For what concerns Romanian professors, they are shared with local universities, therefore the schools do not dispose of their own faculty. As the skills required by performing teaching in MBA programs are quite different from those needed in undergraduate and MSc and MA programs, we recommend the building of an independent faculty, teaching and researching within and for an MBA program. This would also prevent the use of the same faculty by many programs, which affects the natural role of competition in the market.

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