Globalization and Management Education in Developing Countries

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4 December 2004
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Abstract

The globalization process is significantly affecting the economic and commercial life of nations. With increasing global competition and the rapidly advancing technologies, the business organizations and business models as well as management systems and practices are undergoing continuous change. To cope up with these changes, the management education is also being restructured and refocused. For one thing, the leading business schools in the more economically advanced countries are moving from producing ‘functionally skilled’ managers to ‘business leaders’ capable of operating in the competitive global environment. The trend is to make the management education more flexible and broad based in both content and approach.

The situation in the developing countries is substantially different. Although most of the developing countries are being integrated into the Global economy to various degrees, yet the relative share of local businesses and the public sector/non-profit organizations is very significant. Judging by the market demand, the need to prepare managers for specialized jobs is still great. But, at the same time, the imperatives of globalization require the managers of the twenty-first century to cope up with the new developments, which are taking place in global business and related management techniques and practices.

The purpose of this paper is to identify some of the elements of globalization, which affect business and management strategies and practices, and to examine the extent to which management education needs to be restructured in developing countries. Some suggestions are made in the context of MBA education in Malaysia.

Introduction

Globalization has made the business environment more competitive. With reduction in the tariff and non-tariff barriers, liberalized trade and investment policies, rapid advances in the information and communication technologies (ICTs), and reduced transport costs, the world is becoming one integrated market place. Businesses, both local and international, are increasingly exposed to global competition through the mechanisms of international trade and investment.

The process of globalization and technological advances have also provided a more favourable environment to big corporations (MNEs) by strengthening their business ‘outreach’ and providing extended opportunities to build competitive advantage around economies of scale and scope. The technological advances (more specifically, the ICTs and manufacturing technologies), with more open and liberalized economic environment, have altered the production structures and made them truly global. Outsourcing of components and parts and ‘splitting’ of the value chain and locating production and service activities in different parts of the world, to minimize costs and improve quality,
are common practices of modern firms. In the midst of all this, the entity of a ‘global corporation’ has emerged as an important player in international business. Over time, the global corporation has become a sophisticated entity, using different types of business organization, methods and strategies, and management systems to do business and exploit the international business opportunities. Some of the major changes in the management styles and practices of a firm, which have taken place during the last few decades are –

- Building competitive advantage on the basis of firm capabilities and opportunities for distinction, but responding ‘more quickly’ to environmental change (time itself has become a source of competitive advantage due to the shorter product life cycle and the intense global competition)

- Extending competitive advantage through corporate strategy, harnessing new markets, and networking and building alliances for advantage

- Organizing for competitive advantage – strategy implementation (i.e. organizing and integrating)

- Sustaining advantage by managing interrelationships (cooperation vs. autonomy) and managing strategic change (building learning organization)

- Renewing advantage through quality improvement, innovation, business process reengineering, and building a distinctive organization capable of learning and responding to change

Globalization and new technologies have made the modern corporation to move from ‘mass’ production to ‘lean’ production. It can now work with flatter organization, with the help of cross-functional teams and much shorter communication and control lines. It is closely linked to suppliers and customers through the Internet and shows a greater reliance on employees for ideas, insights and skills. In other worlds, the modern corporation is a ‘lean’ and ‘boundaryless’ enterprise, which operates on the basis of its core competencies and the knowledge and skills of its workforce [7].

As a result, subjects which have become more important for management education and training include – change management, building teams, leadership and motivation, managing diversity of workforce and cultures, managing technologies, networking and business alliances, managing supply chains, logistics, human resource management, knowledge management and building learning organizations, building and managing innovation capabilities, global business, macro-economic environment and policies, Total Quality Management (TQM), project management, etc. Given these imperatives (arising from globalization and new technologies), the real concern is, whether the management education is reflecting the new trends and topics adequately.

Many researchers find that Business Schools in the advanced countries (USA, Europe and Japan) are continuously changing the content and style of management education and greatly (if not fully) reflect the needs of the changing globalized world. The developing
nations, on the other hand, are slow in making the necessary changes due to the organizational inertia and the limited academic and other resources. Also, the structure of the economy, heavily oriented in favour of the traditional sectors (agriculture, small and medium resource-based industries, local trade and business) and the large share of the public sector, does not create the necessary threshold of demand for modern management education. As a result, the main content of and the approach for management education in most developing countries lag behind time and fail to meet the requirements of globalization and new technologies. Confining to MBA, as the primary product of management education, the present paper recommends greater foresight and a balanced view of management education in developing countries.

**Complexity of Management Education**

**Value of Management Education**

Some corporate leaders find the western-style management education providing students with analytical tools and concepts but not an understanding of ‘how the business works’. They feel that the youngsters with MBA degree wants to move up too fast and fail to understand politics or people [6, p.15]. Others try to find the value of management education in economic terms – salary differentials for MBAs at the time of entry or gains in terms of quick promotions, and value-added in generating new ideas or business research. According to an extensive research carried by Jeffrey Pfeffer and Christine T. Fong [8], the MBA education in USA has little effect on the earnings or prospects of promotion. Non-MBAs did as well as the MBAs. There was, however, one exception in that the MBAs from the elite/prestigious schools did better, probably due to the element of selectivity, i.e. being better students or with better social and business background.

In developing countries, the situation seems to be different. In India and Pakistan, an MBA stands a better chance to find a job in business companies and financial entities, as well as in the public sector. Salary differential for MBAs at the time of entry may not be significant as compared to non-MBAs, due to other factors rather than the low value-added by management education.

According to a rigorous study carried out by Angeline Tay [11], sample alumni of University Malaya (who graduated between 1984-1997) reported that the MBA degrees have contributed towards their personal and career advancement. Self-development and career mobility were mentioned as the main reasons to pursue MBA degrees. About 68 per cent of the respondents had changed their jobs within a year of completing the studies. This was accompanied with an increase in their salary and other benefits. Studies on the evaluation of MBAs by the employers in Malaysia are lacking, however.

Studies from the US and the developing countries conclude differently as to the value of MBA education. Perhaps, the reason lies in the type and nature of studies – in the sense of who is the respondent, and the timing and circumstances of the study, which may reflect different market demand and supply conditions.
Complicating Factors

The study by Jane C. Linder and H. Jeff Smith [6] records the view of eight experts on the value of MBA education. Some of the main points made by them are as follows –

- MBAs are generally proficient in accounting, finance, and textbook analytical skills. But they lack supervisory skills, communication abilities and leadership qualities. (F. Kenneth Iverson, Chairman Nucor Corporation – a steel and steel product company)

- MBAs want to move up too fast. It is a good quality. Also academic research – is not all waste. Academic business school research in finance, accounting, human behaviour has paid off. Research on manufacturing and operations, however, leaves much to be desired (Harold, J. Leavitt – Professor Emeritus, Stanford University)

- Due to the fast growth and ‘scientification’ of management, most of the teaching faculty is young and have little or no practical experience. Managerial wisdom cannot be taught by young staff; it can best be taught by practitioners. Many leading schools employ lecturers with a practical orientation (Hermann Simon – Professor at Johannes Gutenberg University, Germany)

- In US and UK, too many persons have MBA degrees. It is a case of over supply. In Europe, it is a degree for experienced young managers who believe that management education will make a difference in the way they tackle business problems. Schools put too much emphasis on analytical skills. Other skills such as leadership, cultural sensitivity, and communication are also important. Partnerships with business companies is very useful (Arnold De Meyer – Associate Dean at INSEAD, France)

- The challenge for management education is to meld discipline-based education with practitioner perspectives. There is a need to evolve a new curriculum, which recognizes the present business environment, which is truly global. New breed of managers should understand technology and global markets, possess basic skills and have people skills (David Teece – Professor of Business Administration, University of California-Berkeley)

- Japanese students have a lot to gain from the MBA education in USA. Apart from learning specialized business skills, they become familiar with American culture and business practice and learn English. The returns are potentially great (Toshiyuki Maeda – Deputy General Manager, Nippon Life Insurance Company, Japan)

- Universities, their graduates, and the companies are all responsible for any deficiencies in MBA education over the last 20-30 years, MBA education aimed at making the managers objective, quantitative, analytical and logical; at the instance of the business corporation in US. Now so many faults are discovered.
May be one reason is that the business world is failing to create the right environment for the MBAs to excel. As a result, the American business is facing shortage of creative risk-taking and principled leadership. The purpose of the MBA programs is to train strategic thinkers. The business organizations should take responsibility to assimilate them in a constructive way (Anthony Rucci – Baxter International Inc.)

- MBA education prepares ‘general’ managers – both present and prospective. The business schools do not produce MBAs as finished products. These are works in progress. They should enter/re-enter workplace to apply new tools, concepts and theories. They should also return to University from time to time and re-evaluate their experience and prepare for the future (Stephen Burnett – Associate Professor, Northwestern University)

From the above, it is apparent that people with different background and experience have expressed different views about MBA education. Generally speaking, the employers expect too much of the MBAs and, often complain, when they lack some skills or qualities. Academics, on the other hand, put up a defence by pointing out that the MBAs are being trained as strategic thinkers and provided with business concepts and analytical tools. Moreover, young MBAs are ‘not finished’ products but only ‘works-in-progress’. They can show their potential if given the chance by the relevant organizations and are provided with a conducive work environment. However, all agree that some practical training or research will be helpful to bring business perceptions of MBAs closer to reality. This may be achieved in many ways and by adopting a combination of different approaches.

Some of these are–

- Admission requirements which emphasize previous business/executive experience.

- Making personal development and research in a business organization an important component of business education.

- Making teaching faculty a mixture of academicians and practitioners. At the same time, to encourage academicians to have a touch with the real business world through research/consultancy, and practitioners to be familiar with teaching skills.

Moreover, there is an agreement on the need for including ‘global business perspectives’ in the MBA curriculum. Also, the need for acquiring people skills (i.e. leadership, supervisory skills, communication abilities, inter-personal relations, dealing with diversity of cultures and workplace, etc.) in addition to basic analytical tools and skills is well recognized by all concerned parties.
Economic Value

Economic value of management education can be simply determined by the contribution made by MBAs to an organization’s revenue (i.e. value-added), as measured by the marginal revenue product (MRP) and represented by a downward sloping curve. The supply of MBAs is determined by the salary and other benefits – an upward sloping curve (Figure 1). Po and Qo show the equilibrium market price and employment of MBAs, respectively. On the basis of this valuation, the demand for MBA education can be derived. The cost of education to the student, along with the demand for MBA education, will determine the number of students seeking MBA education. Complicating factors may, however, arise if there are non-economic factors which influence the demand for MBA education and/or the MBA education is subsidized (which is the case in Public Universities). Both of these factors can lead to oversupply of MBAs. Lack of good information in both of the markets can lead to complex outcomes as well. Over time, shifts in MRP curve or the supply curve of MBAs, may create new market situations. A shift in the supply curve to the right or the shift in MRP downward may reduce market prices for MBAs. This has been the case in USA, resulting in no significant salary differentials for MBAs at the time of entry. Similar situation may emerge when the market for MBAs matures and oversupply of MBAs takes place in developing countries. In other words, changes in market situations can show different economic values. These should not be exclusively attributed to the quality of MBA education, as has been done by some experts. From economist’s point of view, the value of MBA education is reflected in the price the students are willing to pay for MBA education. Of course, this represents the minimum value level. Actual value may far exceed this level. Non-economic factors may add new dimensions to this situation.

Figure 1
III. Management Education Industry

The management education industry is going through major changes; making it more competitive and innovative. Big business schools face challenges, which can only be met by creating partnership and adopting new strategies and structures to accommodate the needs of a changing world [3].

Value Chain

According to the estimates made by Merril Lynch, corporations and educational institutions spend a combined US$2.2 trillion on management education and training worldwide; with nearly US$885 billion in US alone. Over time, all types of management education are going through a structural change – the way business education is produced and delivered. During the last 50 years, the graduate management education industry (MBA programmes) in the USA has undergone a fundamental change and similar trends are visible elsewhere. The driving factors for these changes have been identified by Paul Friga, R.A. Bettis and A.S. Sullivan [3] as globalization, technological change and new workplace requirements.

More specifically, the value chain – creation, assimilation, and dissemination of knowledge about business management, shifted from corporate-based phase (pre-1950s) to faculty-based (1950-1999) phase. Since 2000, the value chain has become student-based. In the corporate-based phase, education was very functional and practical oriented. Corporations and their retired employees contributed the most to MBA education. The delivery was largely local; close to the place of residence/work. A massive reforms were introduced with Ford Foundation help in 1950’s. This aimed at making business schools more academic, research-based and analytical. The MBA programmes became more academic or faculty-based. Another change came with the recommendations of the Carnegie Commission. This aimed at making the MBA education more relevant to business organization, teamwork topics, and entrepreneurial tracks. Distribution systems grew from local to regional/national level. The third-phase is more recent and relates to marketing objectives and curriculum and the changes are enabled more by technology. The spread of Internet and the knowledge revolution is providing new ways of gathering and sharing knowledge. The delivery has also become global. Business strategy is student-driven - focus on delivering knowledge (most important content) in the most efficient manner to students and at the lowest cost. The trend is in modular education, mixed faculty, digital libraries. As a result, there is a big change in the management education landscape.

Factors Influencing Management Education

Paul N. Friga and others [3] have identified four factors, which are influencing the management education industry.
These are –

- **Globalization** – business schools have developed high-tech links with non-US business schools, overseas study tours, faculty and student exchange programmes, and international course material. Some elite/well-funded schools have started establishing overseas operations.

- **New technologies** – new technologies have disrupted the value chain. Smaller, lower margin companies can go higher and with new technologies and serve existing and new demand with the development of interactive communication and other internet applications, the distribution of management education will require reassessment.

- **Demographic shifts** – world population continues to grow. Business expansion is also fast. Both of these factors will make the management to grow as well. Demographic diversity in terms of students’ age, gender, race, nationalities, etc. is increasing with globalization and mobility of labour. Diversity at workplace is also increasing. As a result, the demand for service – and knowledge-trained workers will increase. Management education will play an important role in meeting new requirements.

- **Liberalized and open economies** – government regulations are being removed on trade and business activities. With this change, management education itself is becoming ‘global’. As a result, accreditation issues have become very important. Quality of offerings is critical for comparison and control.

**Future of Management Education**

The future management education is characterized by the following factors:

- Changes in supply – new players (such as private firms, technology firms, major corporations, consulting firms, etc.)

- Industry Consolidation and Interfirm Alliances – universities and firms may find consolidation and partnership an effective way to cut costs and enhance efficiency of management education.

- Geographical expansion – offers opportunities to enhance brand identification, improve revenue, and learn about foreign markets. Satellite campuses, distance learning will increase the productivity of existing faculty by increasing student-to-faculty ratio.

- Change in demand – the demand for management education is changing in favour of more part-time MBA programmes, new markets, corporate training (executive
education), modular learning (online education through internet or on CD-ROM), and specialized education to meet the specific needs of industry.

- Price pressure – due to the intense competition, there is a pressure on prices which the industry can charge. In the case of public universities, the support from the government is declining. The price-cost squeeze may have serious consequences for the public institutions.

- New critical success factors – for the 21st century seems to be capacity, convenience, geographical reach, and brand. High volume – low margin strategies may succeed as competition increases. Improved teacher-student ratios and product differentiation (brand/quality) may be essential to sustain the financial viability of business education institutions.

### MBA Education in Malaysia

**Curriculum-broad Structure**

There are a number of public and private universities offering MBA education in Malaysia. For the purpose of the present paper, we take three public universities, i.e. Universiti Utara Malaysia (UUM), Universiti Sains Malaysia (USM) and Universiti Malaya (UM) to identify the ‘typical’ MBA course structure in the country.

As shown in the Annex, both the UUM and USM have a total course requirement of 42 credit hours. The core/compulsory subjects account for 36 credits, or 85.7% of the total credit requirement. In the case of UM, the total credit hour requirement is much higher – 51 credits. The core subjects have 36 credit hour requirements, same as in the case of UUM and USM. But a greater credit requirement in UM makes the MBA education more broad-based as the balance of 15 credits is devoted to electives and specialization courses. As a result, the course structure in UM is composed of core-and-elective subjects in the ratio of 70:30 instead of 86:14 for UUM and USM.

Another feature of the course structure is the element of ‘personal development’. In USM and UM, research project is part of the core/compulsory subjects. But in the UUM, it is an optional subject – in place of the two electives, which the students are required to take.

**International/Global Business**

International/global business is an optional subject in all the three universities – UUM, USM and UM. This means students who do not opt for international business, will not be well versed with global business environment and strategies. This can create a serious gap in MBA education for a country which is well integrated to the world economy and hosts a large number of global corporations.
Delivery System

The delivery system for the MBA education is largely ‘class’ teaching. Recently, the UUM has started a pilot project, using a mixture of ‘e-learning’ and class-teaching in its off-campus MBA Programme in Penang.

All the three universities (UUM, USM and UM) cater to both full-time students and part-time students. MBA classes for the part-time students are held in the evening or over the weekend. The UUM has an extensive network of off-campus programmes, spread over a larger geographical area, to meet the growing demand for MBA students.

Need for Restructuring MBA Education

To meet the globalization challenges and make the MBA education more effective for the potential beneficiaries, the following suggestions are made –

(i) **Intensity of Education** – 42 credit hours requirement for the MBA degree is rather inadequate. After meeting the present requirement of core/compulsory subjects (36 credits), only 6 credit hours are left for elective subjects. These are grossly insufficient to meet the diverse requirements of the business world. Over the last 2-3 decades, modern business specializations have increased significantly, e.g. banking & finance, IT-related business, logistics and transportation, trade and services, manufacturing, etc. The best way to tackle this problem is to increase the overall credit hour requirement; say from 42 to 60.

(ii) **Core/compulsory Subjects** – in most cases, the core/compulsory subjects tend to be around 10-12 to cover the basic ground for the MBA degree. It is suggested that the list of compulsory subjects should be occasionally reviewed for their relevance and content to keep pace with the changing requirements of business and new developments in the management science.

(iii) **Personal Development** – special attention should be given to students’ personal development. MBA students should be trained in oral and written communication, and management research. They should also be required to strengthen their English language skills. A minimum of 3-5 credit hours should be assigned for this objective. Personal development education should be part of the core/compulsory.

(iv) **Flexibility of Education** – is important to prepare MBAs for the 21st century. After the core/compulsory subject requirements are met, the students should be educated in different fields. This is best achieved by encouraging students to specialize in selected areas (each specialization composed of a cluster of related subjects) and by taking a few electives within the overall credit hour requirement. The element of flexibility can be further extended by using
different credit hours for the various courses/activities – i.e. some courses carrying 3 credit hours, others 4 credits or 2 credits or 1 credit, depending on the width and depth of the course.

(v) Mixing Academics and Practitioners - to bring more ‘reality’ in business education, universities may benefit by mixing academic staff with well-recognized practitioners. The academic staff should also be encouraged to create links with the business world through research and consulting services. At the same time, the practitioners should acquire teaching and research skills to be more useful.

(vi) Global Business – environment and strategies should be one of the core subjects in MBA education. This will help students to have a global perspective, which is essential for modern businesses and 21st century managers.

(vii) Project Management – is an important subject both for the managers in business and the public sector. More importance needs to be given to this subject in MBA curriculum in view of the large investment activity going on in the developing countries and the new developments in organizational management.

(viii) Admission Requirements – should emphasize business/executive experience. Candidates for the MBA education need to be tested/interviewed to ensure their basic ability and interest to follow MBA education.

(ix) Quality of Education – many developing countries are emphasizing ‘quantity’ rather than ‘quality’ in management education. Universities should resist the temptation of producing large number of MBAs. Instead, quality of education should receive more attention with a view to producing ‘dynamic business leaders’ which are urgently needed in developing countries. Issues such as the admission policy, staff development, salaries and incentives for the teaching staff, are quite important in this respect.

(x) Financial Viability – of the management educational institutions is threatened by the growing number of domestic institutions providing MBA education and globalization of the management education industry itself. In order to improve their financial viability, the institutions will have to follow new business strategies and adopt more efficient delivery systems. Some of these may include - forming partnerships with other organizations, introducing e-learning, and increasing the student-teacher ratios. Economies of scale and scope should be built to reduce costs. Strategies aimed at improving the ‘quality’ of education and product differentiation (brand/quality) can help to reduce the price-cost pressures.
Conclusion

Given the economic structure and the pressures of globalization in developing countries, the management education will have to follow a ‘dualistic’ strategy – keeping some of the traditional elements of MBA education and, at the same time, venturing into more modern subjects of management sciences. In restructuring the MBA curriculum, special attention should be given to the personal development of students. It is suggested that the credit hour requirements for the MBA degree may be enhanced to provide sufficient space to make the MBA education more flexible and broad-based.

Annex

MBA PROGRAMME STRUCTURE

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<tr>
<th>Universiti Utara Malaysia (UUM)</th>
<th>Universiti Sains Malaysia (USM)</th>
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<td>Total Credit Hours: 42</td>
<td>Total Credit Hours: 42</td>
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A. Compulsory Courses (36 credits)
- Managerial Economics
- Decision Analysis
- Organizational Behaviour and Development
- Communication for Managers
- Legal and Ethical Issues in Business
- Marketing Management
- Management Accounting
- Operations and Technology Management
- Corporate Finance
- Human Resource Management
- Information Technology for Managers
- Strategic Management

B. Elective Courses (any two of the following) (6 credits)
- Project Management
- Investment Management
- Business Planning and Development
- International Business
- Entrepreneurship Development
- Seminar in Total Quality Management (TQM)

Or
- International Business
- Management Control Systems
- Investment Analysis and Portfolio
- Management
- International Financial Management
- Strategic Marketing Management
- International Marketing
- Managerial Ethics
- Leadership
University Malaya (UM)
Total Credit Hours: 51

A. Core Courses (36 credits)
- Production and Operations Management
- Management Theory and Practice
- Marketing Management
- Financial Management
- Economics for Business
- Accounting for Business Decision-Making
- Business Research and Statistics
- Business Policy and Corporate Strategy
- Business Ethics and Corporate Governance
- Information Technology for Business
- Research Project

B. Elective Course (15 credits)*
- Human Resource Management
- Consumer Behaviour
- Capital Markets and Investment
- Industrial Relations in Malaysia
- International Business Management
- Entrepreneurship
- International Marketing
- Corporate Finance
- Organizational Behaviour
- Services Management Retailing
- Marketing Research
- Promotions Management
- Money and Banking
- Islamic Finance
- Derivatives Markets
- International Finance
- Business Communications
- Organizational Development and Change
- Performance Measurements and Rewards Systems
- Systems Analysis and Design
- Database Management Systems
- Information Technology
- Advanced Management Information Systems
- Management Science
- Cross-cultural Management
- Business Law
- Total Quality Management
- Intellectual Property and Business
- Social-Political Environment of Business in Malaysia
• Managing Innovation and Technological Change
• Corporate Law
• Corporate Environmental Management
• Strategic and Competitive Managerial Decision-Making
• Cases in Corporate Finance
• The Malaysian Economy
• Selected Topics in European Business
• E-Commerce
• Management Control Systems
• Tourism Marketing Strategic Planning
• Hotel Industry Business Strategy
• Training Management
• Chinese Culture and Business Management
• Chinese Business and Investment Practices
• Research Paper
• Research in Accounting and Finance
• Contemporary Issues in Financial Accounting
• Contemporary Issues in Management Accounting
• Issues in International Accountancy
• Development in Accounting Thought
• Legal Environment in Accounting
• Islamic Accounting and Finance
• Business and Professional Ethics
• Issues in Corporate Governance Auditing
• Taxation and Business Decisions
• Management Accounting
• Managerial Planning and Control
• Financial Accounting and Reporting
• Personal and Corporate Taxation

*(With a minimum of 3 electives in an area of concentration, such as finance, marketing, human resource management, international business, management information systems, marketing, and organizational development).

Boston University (BU)
Total Credit Hours: 64

Core Courses (31 credits)

• Managing Individuals & Organizations
• Financial Reporting and Control
• Data Analysis for Managerial Decision Making
• Marketing Management
• Financial Management
• Economics and Management Decisions
• IT Strategies for a Networked Economy
• Creating Value through Operations & Technology
• Competition, Innovation and Strategy
• Ethics & Law
• Executive Presentations
• Executive Written Communication
Concentrations (15-20 credits)

- Marketing
- International Management
- Strategy and Business Analysis
- Finance Concentration
- Entrepreneurship

Electives (13-18 credits) – wide choice

References


