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The Management Education (MBA) Challenge

A Study Of Managerial Competency Needs & How Well MBA's Differentiate

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Abstract

MBA & Equivalent Courses” are hugely popular among students and corporates. India has the third largest group of B-School applicants after USA and China. (GMAC Report 2012). This surge in interest in MBA Programs has made B schools and management education a significant participant of the economy. These programs claim to build management skills in the participants to serve the corporate world. But a lot of negative feedback from both industry and academia on the direction and outcome of these programs are making it necessary to investigate the issue.

The study using primary data collected from 355 Indian managers belonging to a cross section of industry and organizational hierarchy tries to identify key generic managerial competencies that they find most important to successfully perform their managerial role.

The research explores whether MBA's show better on these managerial competencies in comparison to Non MBA's while performing their role and found that corporate managers do not find MBA's better equipped than Non MBA's while performing managerial task on most of the competencies.

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1. Introduction

Business organizations and B Schools

With starting salaries reaching 1 crore P.A and most of the CEO or top management positions, being held by MBA's, all looks to be perfect in the world of MBA education and its outcomes. As "MBA & EQUIVALENT COURSES" are the only educational programs which claim to develop student's 'Management and business skills' it has become very popular, among students and corporate. It is today, country's most sought after 'post graduate' program with more than 3.5 lakh applicants participating and attempting admissions in MBA(equivalent) programs in approximately 4500 B schools across the country. This constitutes approx. 2.14 lakh students who appeared in CAT 2012 alone that just got concluded as reported by IBN New/TOI etc. MBA is very popular among Indians, it has the third largest group of B-School applicants after USA and china. (GMAC Report 2012).

In the last five years, the number of b-schools in India has tripled to about 4,500 amounting to as many as 3,60,000 MBA seats, collectively. The fees for programs has also increased with the increase in the placement and other opportunities and from a few thousand rupees, leading B schools charge upto Rs20 lakh (MBA Planner - 2013 Business & Management Chronicle) for the study programs and even more if the programs include international study and degree as features. This surge in interest in MBA Programs has made B schools and management education a major participant of the economy. With a lot of other linked participants like entrance exam preparatory centers, training agencies, placement agencies, survey agencies, web portals, the business education has earned an industry status for itself. A recent independent report on Indian education market <http://education.usibc.com> in 2008 has placed the market size of professional education including only, medical, engineering and management education at \$7 billion and the entrance prep industry at \$1.7 billion. The fast track economic growth that Indian industry witnessed in the last decade made then asks for more and more talent to sustain and grow their business and B schools have been one of the most important providers of talent pool to industry. On the individual level a successful candidate can truly gain several benefits in pursuing an MBA degree not only for his personal development but for his professional career as well. And since an MBA course normally requires training and internship in some companies, a student will surely learn to use his skills in reality and in the daily business operations. An MBA program also enhances a student's leadership skills because of the rigid training involved.

But on the flip side the industry love for MBA is dwindling which is due to employability skills, retention cost and above all 'reliability' on their overall ability to lead the business. A recent ASSOCHAM (INDIA) report on MBA education has painted a very grim picture of MBA programs. It mentions that barring graduates from some IIMs, the b-schools are losing fast shine of attracting corporate India Inc. for campus recruitment and are increasingly facing their survivals. Only 10 per cent of graduates being actually employable, despite the robust demand for MBAs, says

a survey by the Associated Chambers of Commerce and Industry of India (Assocham) 2012. May be the MBA demand data can be seen as factor of demand and supply and recent economic fall outs may be impacting B school prospects. But at the same time the debate of what is the purpose of management education in programs like MBA and what is its relevance has been questioned by management gurus like Sumatra Ghoshal, Henry Mintzberg, Porter and McKibbin report and researchers like Pfeffer & Fong, (2002.), Hind (2004.),Fisher (2004.) Hahs (1999) Jennings (1999) for a long time.

'Quality of management education offered by the Indian B-schools is out of sync with the times and not addressing needs of recruiting industry," RC Bhargava, Maruti Suzuki chairman, 'Indian Management Conclave 2012',

"We teach students strategic courses and they join management institutes with expectations. But it is shattered when even after a huge investment of time and money they are not industry-ready. What is being taught is imported and irrelevant to the Indian scenario,"

TK Srirang, senior general manager, HR management group, ICICI Bank Indian Management Conclave 2012'

If observations from the recently concluded third edition of the 'Indian Management Conclave 2012',New Delhi are to be taken seriously, there is a re generation of management education that may be needed. The conclave which brought together academicians and industry experts who brainstormed on issues like quality of management education, faculty, international accreditation, market demands and opportunities in Indian business education etc. These participants reinforced that there is a long standing list of demands from the B schools and as B schools have, business organization, student and community at large, as their stake holders, they need to serve their interests.

It is clearly evident that the impact of management practices and management learning's not just only impact graduates and their career but are going to have a great impact on the products, services, economy and society that we get as a result. In his widely acclaimed paper 'Bad Management Theories Are Destroying Good Management Practices' SUMANTRA GHOSHAL (2005) has squarely blamed the management education for the corruption and ethics problems that has created scandals like ENRON.

'Management education' is understood broadly to encompass education and development for managers (Richard Hall, Renu Agarwal, 2012). The managerial education has to be able to deliver on the needs of industry and fulfil its role to prepare students to meet industry needs.

2. Review of literature

2.1. Managerial role and Competencies

Managerial role for which the students are prepared has remained as a matter of keen interest and research. What managers do and what makes them perform is of great interest to industry and academia alike. Managerial competencies are those attribute which have been causally related to superior managerial performance. So it is

pertinent to know which managerial competencies are significant and how far they are being focus upon and extent of their coverage in management programs. The need to manage business and management in this changing and complex environment requires behavioral skill beyond the technical skills or functional skills. This has brought the term of competency in prime focus. The spread of the concept of ‘managerial competencies’, and the way ‘competency clustering’ is being used in corporate for recruitment, promotion, training decisions, it has become a very important and central concept. In their widely acknowledged paper Christopher A. Bartlett, Sumantra Ghoshal have highlighted the changing managerial perspective.

Changing Role	Primary Value Added	Key Activities and Tasks
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Challenging times for the global multi-business company demand a new managerial logic which encompasses elements of animating and assembling - techniques distilled from the practices of several leading edge companies to help businesses adapt to increasing disorder in their environment - in a major departure from the conventional wisdom of international management. Mitchell P. Koza Director of the Centre for International Business Fuqua School of Business, However to align worker competencies rationally with job tasks, is one of the essential challenges of all work organizations (Marsden, 1999). These competencies consist of knowledge, skills and other behavioral dispositions necessary to reach desired standards of job performance, and they are developed through formal education and training or informal work experience. Indian organizations are rapidly organizing their recruitment training performance systems, appraisals and career development initiatives on competency-concept.

According to van der Klink and Boon,(2002: 1) current uncertainty in employment contracts necessitate that employees have a ‘clear insight into their competencies and into the possibilities of maintaining or improving their professional competencies’. Employers, on the other hand, are seeking multi-skilled employees, flexible enough to keep up with the pace of change and growth taking place in the workplace. Organizations therefore provide training so that individuals become more competent for effective performance in their jobs. In this scenario, the concept of competency is gaining more and more importance (Barnett 1994). Looking at the spread of the concept of ‘managerial competencies’, and the way competency clustering is being used in corporate for recruitment, promotion, training decisions, of their managerial personnel, it has become a very important and central concept.

2.2. Managerial competencies models

Over 50 years of interest and research in the area has seen various models being produced by researchers some of the most cited are The competent Manager John Boyatzis (1982) Wiley , New York, Managerial Competency fact or fiction – Tony Cockerill , John Hunt, Harry Schroder Business Strategy review Autumn (1995),

Managerial Competence: Do Technical Capabilities Matter? Vikalpa • vol30 • no 2 • april - june 2005, Empirical Study of Managerial competencies in Indian organization management & Accounting Research 2001 Internal Mapping of Competencies of performers2002 UNIDO Report.

In one of the most recent Indian studies by T V Rao June 2007 W.P. No. 2007-06-05 IIM A Research and Publications IIM A has listed most frequently mentioned strengths of Top level managers from Indian Industry (N = 531 Top level Managers assessed by around 5300 assessors. Strengths mentioned frequently for more than 10% of the 531 managers.

1. Job knowledge or Domain Knowledge (40%)	2. Communication (28%)	3. Team work (23%)
4. Hard working (21%)	5. Interpersonal skills (19%)	6. Calm and Composed (19%)
7. Delegates (16%)	8. Organized (13%)	9. Motivational skills (10%)
10. Positive attitude and positive thinking (10%)	11. Open minded (10%)	12. Analytical (10%)
13. Honesty and Integrity (10%)	14. Innovative (about 10%)	

A study on top leadership competencies by Kandwala 2004 which studied role effectiveness and senior manager’s competencies has identified 45 key competencies under 6 clusters Managerial Competencies Average

Score Rank

A	Contextual Sensitivity Competencies Average Rank	17.4
B	Initiative Management Competencies Average Rank	26.7
C	Innovations-related Competencies Average Rank	32.4
D	Resilient Problem Solving Competencies Average Rank	23.7
E	Task Execution Competencies Average Rank	9.7
F	Interpersonal and Leadership-related Average Rank	28.8

Study of Managerial Competencies by Dierdorff, Rubin, & Morgeson 2009, using the results of Dierdorff, Rubin 2006 study focused on the interplay between work context and managerial role requirements.

Behavioural competencies	Knowledge competencies
Managing Administration & Control	Knowledge of Technology, Product Design, & Production
Managing the Task Environment	Knowledge of general business functions
Managing Strategy & Innovation	Knowledge of Media Communications & Delivery
Managing Human Capital	Knowledge of Human Behaviour & Society
Managing Decision-making Processes	
Managing Tools & Technology	

Skill Competencies	Work-style Competencies
Interpersonal Skills	Conscientiousness
Strategic & Systems Skills	Generative Thinking
Skills in operations	Learning,, Motivation, & Leadership
Foundational Skills	Interpersonal Orientation

3. Statement of problem

The study is being designed to take a closer look and empirical identify the following issues that are key to analyzing the Managerial competency development needs and MBA Programs in the context of providing better equipped managerial workforce to the industry

There is very little empirical research on management education linkage with industry needs has happened in the Indian context and hence, there essential need to do the same in Indian context.

A variety of studies have happened on managerial competencies in specific industry domains or hierarchy level but not in context to cross sectional generic managerial competencies hence this study will add great value to the area.

Most of the Indian research on “Managerial competencies” and Business schools focus are opinion case based hence do not show an overall environment and not empirical. But industry feedback on the performance is not captured on a structured basis..

4. Research Questions

Which managerial competencies are most significant for the performance of managerial role as experienced and perceived by Indian managers?

Do MBAs show any difference in comparison to NON MBA on the managerial competencies while performing their managerial role?

4.1. Research Methodology, Sampling and Scaling

The research was majorly segregated on three parts and two Primary data sets were collected

Corporate managers Data, (Competencies Significance) (Competencies frequency of use)

Corporate manager’s observation on difference of performance between MBA’s and Non-MBA’s on the managerial competencies.

4.2. Survey Tool

The survey has been created online (www.competencies-research.org) hosted on a server and a web link of the domain is being posted using Email of invitation letter, LinkedIn invitations, Facebook invitation, SMS link

invitation, WhatsApp invitation, web link posted on websites.

Each statement was rephrased to reflect managers’ experience and expectations of managerial competencies required for high performance on managerial role. However, the same meaning was retained for each statement to enhance the validity of the questionnaire

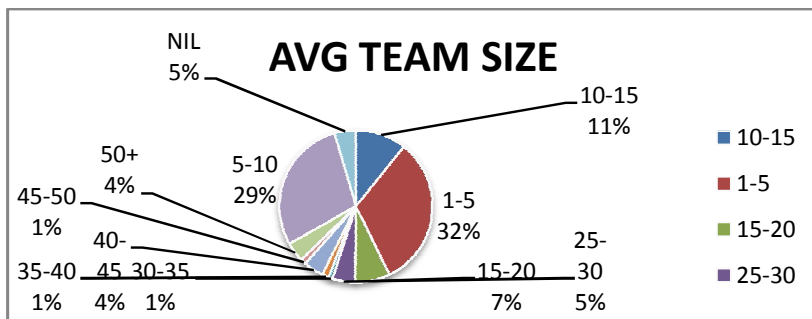
4.3. Sample

Corporate managers- On the simple random sampling basis responses were recorded for 355 corporate managers comprising of a rich mix of demographic representing the managerial class of the nation. Some of the key attributes of the corporate manager respondents are

Respondents Age	24-56
Gender	Female 12%, Male 88%
Master Degree	MBA 92%, MCA 1%, MCom 1%, ME Mtech 3% MSc. 3%
Managerial Experience	2- 30 years
Sector of business	27 different sectors (Banking, Fin. Services, FMCG, telecom, Retail, Hospitality) etc

Average team Size supervised

Company Type	Total	% Freq
Large Indian listed Company	153	43.10
Large Indian MNC	19	5.35
Large Private Company	26	7.32
Medium Indian listed Company	9	2.54
Medium Private Company	65	18.31
MNC	54	15.21
Small Indian company	29	8.17
Grand Total	355	100



5. Data Collection and Data Analysis

The 18 managerial competency attributes that were explored and defined in Dierdorff, Rubin, (2006) study were used to build questionnaire using a rating scale. The respondents rated the 18 competencies on 2 parameters ie. most significant to least significant competencies (7 likert point scale) in their opinion and most frequently used or least frequently used (5 likert point scale) managerial competencies to perform their role successfully. The second questionnaire to state observation on MBA's and Non MBA used a 3 pointer scale (Higher Equal Lower) to mark the difference.

Results : The results compiled are based on statistical identification of rank based on aggregate scores of 'significance' and 'frequency of use' mean scores and standard deviation were calculated. Perdue Ninemeier and Woods, (2000) used aggregate scores for importantly rated and frequently used competencies in order to see what competency cluster was the most important and frequently used by private club managers

These were labeled as 'Indian managerial competencies', needs.

Table 1

Managerial Competencies	Perceived Importance			Frequency of use			Combined Rank	Combined Mean
	Rank	Mean	SD	Rank	Mean	SD		
Interpersonal Skills	1	5.92	0.93	1	4.31	0.65	1	5.12
Managing the Task Environment	2	5.66	0.99	9	3.97	0.86	2	4.82
Managing Strategy & Innovation	3	5.72	1.12	2	3.87	0.65	3	4.80
Managing Human Capital	5	5.63	1.11	3	3.96	0.82	4	4.79
Managing Decision-making Processes	4	5.61	1.16	5	3.95	0.80	5	4.78
Conscientiousness	10	5.56	1.25	4	3.95	0.87	6	4.75
Learning, Motivation & Leadership	8	5.60	1.16	6	3.88	0.77	7	4.74
Knowledge of general business functions	7	5.52	1.24	8	3.82	0.92	8	4.67
Generative Thinking	6	5.50	0.95	6	3.82	0.67	9	4.66
Strategic & Systems Skills	9	5.37	1.12	11	3.66	0.77	10	4.52
Interpersonal Orientation	11	5.20	1.25	10	3.69	0.84	11	4.45
Managing Administration & Control	12	4.93	1.34	12	3.65	0.84	12	4.29
Knowledge of Technology, Product Design, & Production	13	4.97	1.42	14	3.58	0.89	13	4.28
Knowledge of Media Communications & Delivery	13	4.76	1.36	13	3.66	0.88	14	4.21
Skills in operations	16	4.81	1.48	15	3.53	0.98	15	4.17
Knowledge of Human Behavior & Society	15	4.77	1.35	17	3.30	0.89	16	4.03
Foundational Skills	17	4.66	1.34	16	3.37	0.85	17	4.01
Managing Tools & Technology	18	4.18	1.58	18	3.00	0.96	18	3.59

Results for the importance rating are displayed in Table 1. Mean scores were plotted to check the “Normal Distribution” Competencies with a mean score 4.74 to 5.12 were classified as essential competencies, competencies with a mean score of 4.45 to 4.67 were classified as considerably important competencies and competencies with a mean score of 3.59 to 4.29 were classified as moderately important competencies. None of the 18 managerial competencies identified in this study had a mean score below 3.59. This study identified 7 essential competencies, 4 considerably important competencies and 6 moderately important competencies. None of the competencies mean scores indicated as low as unimportant or low importance. The corporate managers observation on “Do MBAs show any difference in comparison to NON MBA on the following competencies while performing their managerial role”

Percentage wise distribution of managers stating for each competence if MBA show higher equal or lower than Non MBA’s is presented below



C1- Managing Strategy & Innovation ,C2- Knowledge of Technology, Product Design, & Production, C3- Interpersonal Skills ,C4- Learning, Motivation & Leadership,C5- Managing Human Capital,C6- Knowledge of Media Communications & Delivery, C7-Strategic & Systems Skills,C8- Interpersonal Orientation, C9-Managing Logistics Tools & Technology, C10- Knowledge of Human Behavior & Society, C11- Skills in operations, C12- Conscientiousness, C13- Managing Decision-making Processes, C14- Foundational Skills, C15- Generative Thinking, C16- Managing the Task Environment,C17- Knowledge of general business functions, C18- Managing Administration & Control

6. Observation and Conclusion

Out of 18 key Managerial competencies 11 are being observed as “Equal to high, Equal to lower”, which is very alarming as the MBA program credits itself with high rigor, industry focus and stakeholders are placing confidence on the need and purpose of the program. It is important to observe that the many essential and considerably important competencies that have been identified by the corporate managers are being observed as Equal to higher like ‘Managing Human Capital’, and equal to lower like Conscientiousness and Learning, Motivation & Leadership.

Code	Managerial competencies (as per rank)	MBA’s differentiation on the competencies from Non MBA’s	Significance Rank
C3	Interpersonal Skills	Significantly high	1
C16	Managing the Task Environment	Significantly high	2
C1	Managing Strategy & Innovation	Significantly high	3
C13	Managing Decision-making Processes	Significantly high	5
C17	Knowledge of general business functions	Significantly high	8
C15	Generative Thinking	Significantly high	9
C7	Strategic & Systems Skills	Significantly high	10
C5	Managing Human Capital	Equal to high	4
C18	Managing Administration & Control	Equal to high	12
C6	Knowledge of Media Communications & Delivery	Equal to high	14
C14	Foundational Skills	Equal to high	17
C12	Conscientiousness	Equal to lower	6
C4	Learning, Motivation & Leadership	Equal to lower	7
C8	Interpersonal Orientation	Equal to lower	11
C2	Knowledge of Technology, Product Design, & Production	Equal to lower	13
C11	Skills in operations	Equal to lower	15
C10	Knowledge of Human Behavior & Society	Equal to lower	16
C9	Managing Logistics Tools & Technology	Equal to lower	18

Managing Decision-making Processes, Strategic & Systems Skills, Knowledge of general business functions are observed as the most differentiating factors where MBA are seen significantly higher in their competence. Which is a positive indicator as all these are seen more important competencies for performing higher managerial and leadership roles. It is being observed that the all the competencies from the cluster of Work-style Competencies

have received very low rating which clearly shows that management education is more focusing on preparing students with high subject and concept orientation and is severely lacking in areas concerning personal attribute development and motivation as an individual. It is playing a very limited role in molding and reinforcing key personality related development in students.

7. Limitations and future research scope

The study has only taken the view of managers on managerial competencies of MBA vs non MBA which could have some bias in the mind of the respondents.

The corporate managers could be experiencing the need of other managerial competencies which could be included in the pool.

A study of B school graduate view of how much they find their training has improved competence on the managerial competencies identified as important can be done.

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