



Survey by Noir sur Blanc

## The Global MBA Market: Trends and Developments

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## Introduction

Over and above all other management qualifications, the Master of Business Administration (MBA) has become a symbol of excellence and competence and a *benchmark* for employers. For some time, the stature of the qualification has been established in both the global marketplace for higher education as among the general public, now more than familiar with its acronym.

The explosion in the number of MBA courses<sup>1</sup> continues, yet another more recent trend has been acknowledged collectively in the sector. With an increasing number of courses on offer, stagnation in the number of applications at times leads to a severe shortage of candidates.

Today, the MBA market is heterogeneous and constantly changing. It is extremely competitive reflecting the issues of interest to both large international organisations and states. In essence, its challenge is to provide quality training for an elite called upon to take up positions of great responsibility in large-scale companies, across all sectors of the economy.

In a booming MBA market, which threatens to expand even further given that any management course can call itself an 'MBA', the best and the worst find themselves side by side. Despite the different systems of accreditation that have been put in place by organisations such as the AACSB, AMBA or EFMD, it is the allure and reputation of a university in the eyes of students, recruiters and the media that determines the value of a course and ultimately assigns it a place in the global hierarchy.

This flagship academic symbol of excellence has long been considered the exclusive property of US universities. However, the *Wall Street Journal's* world MBA ranking of 22 September 2004 placed four European schools among the five most highly-regarded by recruiters. This illustrates an increasingly evident truth: the US MBA, as a benchmark and point of reference, is facing competition.

For all concerned, debate concerning the modern MBA is rife.

In Europe, the Bologna Accord, which aims to build a European 'space' for Higher Education in the European Union is underway, but it reflects the frictions in the MBA debate. The process' main goal is to clarify curricula in general, and of management diplomas in particular. At the same time, it's should help to bring to the fore a clearly identified MBA standard, distinguishable from Masters or even Bachelors degrees in Management.

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<sup>1</sup> For example, in 1999, Europe accounted for 220 MBA programmes. This number rose to 400 in 2004. During the same period, the figure rose from 50 to 120 in Asia Pacific and from 700 to 750 in North America (US and Canada). (Source: *QS Top MBA, organiser of the World MBA Forum Tour, October 2004*).

In the United States, the debate is equally fierce. Much reflection has taken place, notably about the ideal age of candidates, the under representation of women, the fall in recruitment of foreign students, the often prohibitive cost of the studies<sup>2</sup>, the absence of ethical issues taught, programme conformism, the rise in strength of European, Australian and Asian competition, etc.

The main cause of such lively debate and acute tension is, undoubtedly, the increasingly stringent competition to which MBA programmes are subjected.

For the past 15 years or so, the market has undergone *structural* changes which are currently bearing fruit: expansion beyond North America to European, Asian, Australian and South-American universities, the introduction of alternative courses (MBAs specialising in a particular field, the *part-time MBA*, the *executive MBA*, the impact of e-learning)....

Added to these developments are more cyclical changes which are having a qualitative and quantitative impact on recruitment, the geographical origin of students, university reputations...For example, the effect of the US visa-granting policies on foreign student recruitment. Equally, the stagnation in both the economy and employment market has resulted in one candidate segment to opt for both the shortest and least onerous courses. The classic American model of the 'generalist' MBA, of 18 or 24 months duration, reserved for already wealthy candidates with significant business experience behind them, has today been demolished both in form and content by a highly-inventive competition. This is doubtlessly, spurred on by the major constraint of universities having far fewer means at their disposal compared to North American universities.

This Noir sur Blanc survey is devoted to the questions currently enlivening and reshaping the MBA landscape. One should not underestimate the fact that these discussions foreshadow the evolutions and broader discussions on the horizon in fields other than management training.

## Methodology and Data

Data for this study were collated between November and December 2004, via an email questionnaire sent to senior people involved in running MBA courses (*Deans*, Senior Faculty Members, Programme Directors...). Out of 3,020 emails sent out, 154 complete and usable replies were returned to us, giving us a feedback response of 5.1 %. This is sufficient to provide a valid statistical sample from which to paint a meaningful picture of developments in the MBA market.

This manner of collecting the data, geared as it was to capturing quantitative details, nevertheless allowed substantial scope for qualitative responses. Those surveyed were furnished with a broad range of so-called 'open' questions, which left room for the expression of opinions (see appended questionnaire).

Noir sur Blanc also called upon its network and contacts for additional interviews designed to expand on and hone the purely quantitative aspects of the survey.

Added to the original data collated by our Agency are statistical analyses and documents published by official bodies such as GMAC (*Graduate Management Admission Council*), the

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<sup>2</sup> Upwards from 15 000 to 100 000 dollars.

Forum World MBA Tour organised by the QS Top MBA, accrediting institutions such as the EFMD (*European Foundation for Management Development*) and the AACSB (*Association for Advance Collegiate Schools of Business*), as well as surveys and rankings published in well-known French and international press titles.

The depth and richness of the study should not however, allow us to overlook a certain bias that may have led to some distortion in the results of the on-line questionnaire. We highlight these (potential) areas of bias in the course of the report.

- Firstly, the questionnaire, which appeared on the Internet, was published in English and the responses were given in the same language, a fact which may have led to a certain "self selection" amongst those administering MBAs. Those managing MBA courses with no or little command of English were consequently excluded from the survey. It should however, be emphasised that in this field these are few and far between, almost a rarity, and that the level of English required in order to answer the survey was not particularly high.
- Secondly, for linguistic reasons linked to those mentioned above and due to practical constraints, the replies to the survey, although originating from a vast sample of countries, come principally from two continents, Europe (48.1%) and North America (28.6% for the USA).
- The overrepresentation of Europe in relation to the global share of universities offering MBAs, is due to the fact that this market has teemed with new initiatives and innovations over the past years.
- The third of the big groupings that makes up the global arena of the MBA market, Asia, is, therefore, under represented in the following pages and will be the object of a specific survey at a later date.

As a result, this survey principally assesses the existing relationship between the American and European provision of higher education (in the form of the MBA).

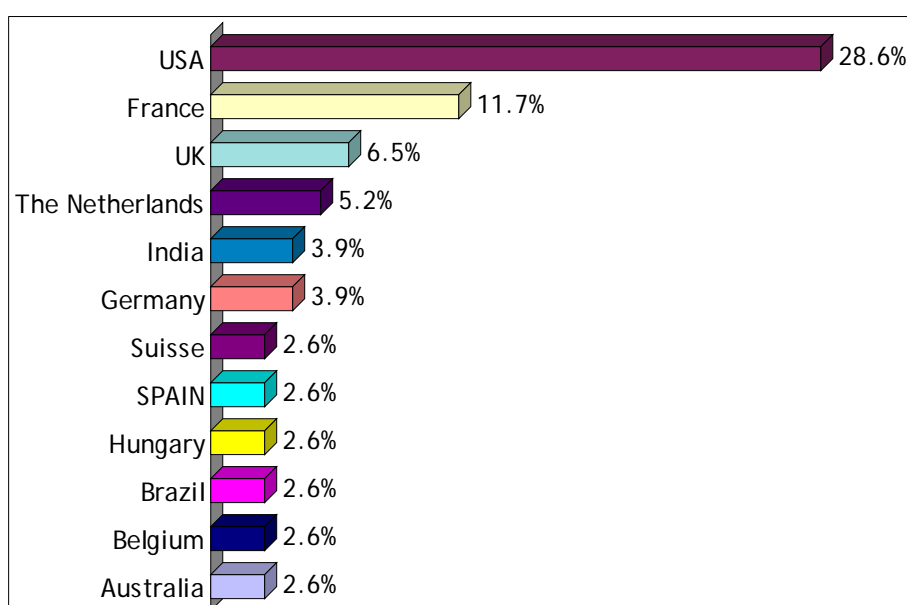
The first part of this report, which provides a current overview of the MBA market, is followed by a discussion and analysis of trends identified by those surveyed.

## I - Overview: A Changing Equilibrium

This section attempts to take stock of the fundamental changes currently affecting MBA courses. What are the trends in terms of the length of courses? What are the pedagogical developments? How do MBAs adapt to suit the demands of candidates? How are candidates selected?

- **Geographical Reach**

Responses to the survey were obtained from 154 people managing MBA courses, located in 28 different countries<sup>3</sup>, from all five continents.



In addition to the countries one would expect to feature in the sample (the United States, the United Kingdom, France, Germany, China, India), came replies from countries such as Croatia, Lithuania, and Egypt. This attests, if such proof is still necessary, that the MBA is, and is perceived to be an internationally recognised benchmark qualification.

As highlighted above, Europe and the United States constitute the two most important samples in the survey, supplying, respectively, 48.1% and 28.6% of the replies. In Europe, French MBAs formed the largest sample (11.7% of replies), ahead of the United Kingdom<sup>4</sup> (6.5%) and The Netherlands (5.2 %). The strong representation by French schools can be explained by the fact that the questionnaire had more of a tendency to attract academic institutions located in the Agency's country of origin.

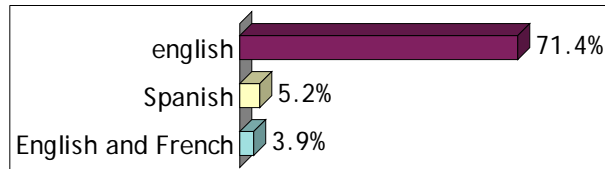
The variety of responses reflects the global explosion in a market long and overwhelmingly dominated by the United States, as well as the rise in strength of Europe.

<sup>3</sup> By way of simplification, only significant percentages are illustrated in the table, that is to say, 12 countries, and not the totality of respondents.

<sup>4</sup> In spite of the fact that today, one European MBA in two is undertaken in the United Kingdom.

The quantitative gap between the number of MBAs offered in the US and to those in the rest of the world confirms the vitality and attractiveness of the Anglo-Saxon model as a benchmark.

- **English as the Official Language of Instruction**



The MBA's Anglo-Saxon roots resurface when one considers the language in which MBA programmes are traditionally taught.<sup>5</sup> Taking into consideration the fact that Anglo-Saxon speaking countries were not the majority of respondents, the choice of English as the unique language of instruction remains surprising (71.4%). It also incorporates countries such as France, where the resistance to everything English has been nevertheless traditionally very strong.

The only notable development seems to be that institutions are increasingly offering programmes *exclusively* in English, as opposed to in two languages (English and the national language), as was previously common. A few rare courses continue to be taught solely in another language, e.g. Spanish (5.2%). All these programmes are to be found in Central or South America.

Some programmes based in France remain bilingual, as is the case elsewhere in countries not figuring in the table. One Lithuanian university teaches half of its course in the students' mother tongue, and half in English.

The overwhelming importance of English, as *THE* business language, is therefore incontestable and uncontested, with the exception of a few marginal examples. English then, more than ever, is an inescapable factor of business courses.

In the international arena, non-Anglophone MBAs are not credible.

- **The MBA: Impossible to Stereotype**

The responses given by those in charge of MBA programmes illustrate the developments noted by market observers over the past few years.

At this juncture it would seem that the **initial MBA model** – long considered a general management course of one or two years' duration destined for graduates with a wealth of career experience behind them – is **no longer valid**. The different types of MBA are now so varied that in itself, the title 'MBA' in no way suffices as a description of the actual content, quality and length of a programme.

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<sup>5</sup> The graph does not total 100 % as it excludes those responses that are too marginal to be significant.

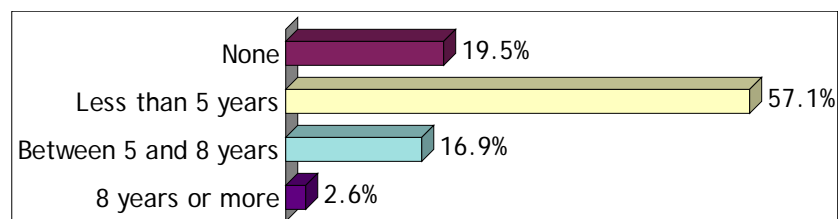
The proof of this diversity is that those surveyed refer almost equally to three predominant types of MBA:

- Programmes of more than 18 months - the closest to the original model.
- Programmes of less than 18 months that could qualify as an accelerated MBA, along the lines of the model introduced by INSEAD, for example. This model offers a solution to the concerns of numerous candidates for whom an interruption in their professional life of more than 18 months, given the cost of the programme and a less than flourishing employment market, is an unviable investment.
- *Part-time MBA* programmes, clearly destined for salaried employees who cannot or do not want to interrupt their professional life. They therefore opt for this model in order to reconcile education with career.

Two further types of MBA also exist, though having recently appeared amongst a product offering which has become heterogeneous, their prevalence lags behind that of the major models.

- *Executive MBAs*, destined for an audience of 30 or 40-year-olds looking to give their careers a boost, feature later in this survey's sample but are often referred to.
- Specialist MBAs (such as Groupe ESC Toulouse's Aerospace MBA in France, or Hamburg School of Logistics' MBA specialising in management and logistics) also have made a not insignificant appearance on the market, but are still quite far behind the three major models.

Another indicator of a major change is the length of required professional experience.



Three-quarters of those surveyed tend to require less professional experience than in the past (less than 5 years in 57.1% of cases), or in the case of one-fifth of respondents, none at all. In the eyes of numerous advocators of the traditional model for whom MBA studies cannot be envisaged without significant business experience, this is heresy.

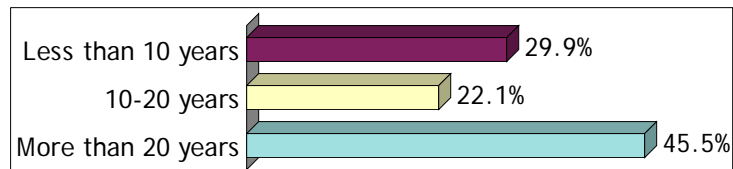
The average age of MBA students (30 years old) is directly affected by this development. Students are slightly younger than ten years ago, with 50% of students under 29, although there is a not inconsiderable proportion of part-time and executive MBAs which traditionally target seasoned professionals. However, the percentage of 40-year-olds is highly limited: 85.8 % of MBA students polled were aged between 24 and 35, and more than four students in ten were younger than 30. This is surprising given the long-held belief that professional experience obtained by this age is too 'lightweight' to merit access to an MBA course.

This being the case, one person surveyed in two (50.6%) indicated that the average age had neither increased or decreased over the last few years. It had increased in 23.4% of cases and fallen in 19.5% of MBAs polled. Students on US MBA programmes are, on average, older than in other countries.

In all, it is difficult to continue to regard the MBA as a norm or standard: with the original model changing, the term MBA today unites very disparate notions, including proliferating teaching methods, length of programmes, target audiences, costs, methods, pedagogic approach...

#### ▪ Current and Previous MBA Programmes

The longevity of the MBAs studied is equally symptomatic of current developments and the implosion in the market:



Of those surveyed, less than one MBA programme in two predates 1984. One programme in three was created between 1994 and 2004.

Even though courses dating more than 20 years are still the most numerous (45.5%), 29.9% of programmes are less than ten-years-old. This illustrates two points:

- The marked increase in the number of MBAs worldwide explains the attendant downturn in the number of candidates for each individual programme; and
- The undiminished appeal of the MBA brand for establishments that have created high-level management courses in the last few years.

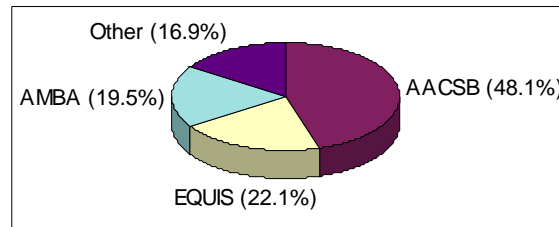
When universities seek to create flagship management qualifications, they consistently dub it with the title of an MBA, with all the excess that, in certain cases, this can imply.

In the long run, to the extent that many degrees bearing the MBA name exploit the power of the brand, one can speculate as to the eventual erosion of the acronym, which for the moment retains an almost charmed ability to attract attention. Hence, the question arises, given the multifarious range of products encompassing the entire spectrum of quality and levels of demand, how can one distinguish the good from the less good?

International accreditations are one way in which the market has responded to these developments.

- **Accreditation: Imperative for Visibility**

Almost all the programmes surveyed indicated that they have one or several accreditations awarded by one of the large international bodies: the AACSB, EFMD (and its accreditation EQUIS) or the AMBA.



This means that this survey failed to attract the attention of non-accredited MBAs, though those running them were obviously able to appreciate the inopportunity of drawing attention to their missing ingredients.

On the other hand, the surprising abundance of accredited programmes draws attention to the fact that many MBA programmes avail themselves of the AACSB or EQUIS accreditation granted to the university as a whole, and not specifically to the programme: only the AMBA accreditation applies solely to MBA programmes.

AACSB is the first accreditation cited (48.1%), ahead of EQUIS (the most recent accreditation of the EFMD) (22.1%), followed just behind by that of the AMBA (19.5%).

16.9% of other accreditations relate to quality standards such as ISO 9001, which are not specific to higher education, or to accreditations of a national kind such as the one awarded by the *Executive MBA Council*, under the authority of the Brazilian Ministry for Education and Culture. In Germany, the FIBAA (*Foundation for International Business Administration Accreditation*) only awards accreditations in German-speaking countries: Germany, Austria and Switzerland.

The ACICS (*Accrediting Council for Independent Colleges and Schools*) figures amongst these national, or principally national, certifying bodies - although this particular organisation also accredits academic institutions outside of the US. Other bodies specialise in specific fields, such as the certification attributed by the ICA (Interuniversity Consortium for Agricultural and Related Sciences in Europe).

Though not every MBA programme is accredited, for those in the top tier, or aspiring to be in the top tier, accreditation is essential, except for very few programmes. The rarity of non-accredited programmes indicates that for them there is little purpose in launching the long and onerous accreditation process given that their recruitment is principally local.

As the ways of gaining accreditation steadily increase, it has become increasingly clear that this status alone does not guarantee the success of an MBA programme. Although it has become a necessary condition, accreditation has also become an increasingly inadequate measure for evaluating programmes.

- **The Undergraduate MBA: The road to a “Junior MBA”?**

In the US today, debate continues in higher education regarding the ideal age for undertaking an MBA. One must be old enough to have the minimum professional experience, yet young enough to hope to gain a profitable return on investment over the course of a career?

Though many US MBAs accept a few (albeit rare) young graduates in their annual intake (largely dominated by career professionals), the French school ESSEC launched a challenge in 1998, by deciding to pitch its Business School degree at the MBA level. In this way, it awards its diploma to young graduates who, without a doubt, have business experience<sup>6</sup> (through traineeships or part-time work experience), but of whom one could hardly speak of professional experience. For some time, ESSEC was the only business school in France positioning itself in this way, though it seems that others are following in its route.

We were keen to speak to those responsible for this kind of initiative, and to ask them what they thought of attributing MBA degrees following an initial, *undergraduate*<sup>7</sup> training course.

Only a relatively small percentage of those surveyed (18.2%) were familiar with this type of initiative. Outside of Europe, the percentage dropped to 11.2%, proof that this pioneering choice inspires the French more than other nationalities. Already though, this kind of academic choices is stirring up serious friction at the heart of official bodies such as the EFMD or the AMBA which fundamentally consider it necessary to strictly establish limits to what one can or cannot call an MBA. This point of view was obviously shared by one of those polled who tersely replied: “*that should not be allowed*”.

Nonetheless, to judge by the interest this question aroused (it generated the most comment), the advent of this type of MBA programme opens the floodgates to a serious questioning of the entire MBA system.

When asked to comment on the decision to call a first degree an MBA, those questioned seldom defended it - with the obvious exception of those managing the schools concerned. Criticism predominates though one respondent conceded that: “*hypothetically speaking, one can understand positioning MBAs in this way, in light of the reduction in candidates and the increase in supply*”, and another (the head of a Chilean programme) stated that “*the debate is underway internally*” in order to determine whether or not this decision is crucial.

At best, detractors rate the move as “*a grave error*” or, “*an irresponsible choice*”. At worst, they reproach *junior MBAs* for falsifying the nature of MBAs, by a “*betrayal of the brand*”, which inescapably implies (a background of) previous professional experience. They evidently consider that students undertaking a first degree have gained insufficient professional experience. “*They may well have some knowledge, but it’s nothing without ‘real’ experience,*” one respondent summarised.

Another judged the interest of an MBA as residing, to a large extent, in exchanges between students, borne out of their professional experience. The quality of students who had yet

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<sup>6</sup>The average professional experience accumulated by a young graduate at the end of his/her ESSEC course is close to 22 months.

<sup>7</sup> The exact wording of the question was as follows: “Certain business schools today award MBAs at the end of undergraduate courses to young students without professional experience: are you familiar with this new type of MBA? If so, what do you think of them?”

to hold a position of responsibility in a company was questioned. Many criticised the ensuing confusion for candidates and recruiters alike. Others referred to the absence of actual value added in an *undergraduate* programme, whereas in their eyes, the MBA is a *postgraduate* course and should stay that way. Many thought that aside from other negative effects, positioning the MBA in this way, should it prove unsuccessful would pull MBA graduate salaries down as a whole. In flooding the employment market with graduates stamped MBA, the danger is of creating confusion in the minds of recruiters, some of whom fear that with the multiplication of MBA qualifications, the degree's standard is falling.

On the whole, the basic reproach of reduced course models is that such a "*diluted*", "*devalued*" positioning of MBAs will "*bring down*" the value of the brand itself. One of those polled, the head of a US programme, even went so far as to state that these programmes call into question "*on the one hand the school's credibility, but on the other that of the official bodies which must have accredited certain of them.*"

In the long run, certain people also believe that "*time will ultimately enable us to sort out the good ideas from the bad.*"

In France, this positioning of the MBA has sparked similar debate. Many school leaders believe it to be counter-intuitive, in that it is leading towards a deregulation of the market which the Bologna Accord is intent on regulating (notably in France, with the introduction of a Masters qualification). Others fear that it will lead to confusion between MBAs and Masters, particularly among recruiters.

#### ▪ Programme Directors' Views of Student Expectations

In contrast, those managing MBAs are unanimous regarding what attracts students to their programmes.

The quest for management skills and the desire to boost their careers are pretty evenly quoted in first place (nine times out of ten, these are judged essential components). The goal of obtaining a better salary and the possibility of forming useful contacts in professional networks only come second. These two factors are also mentioned two times less often, rated third and fourth.

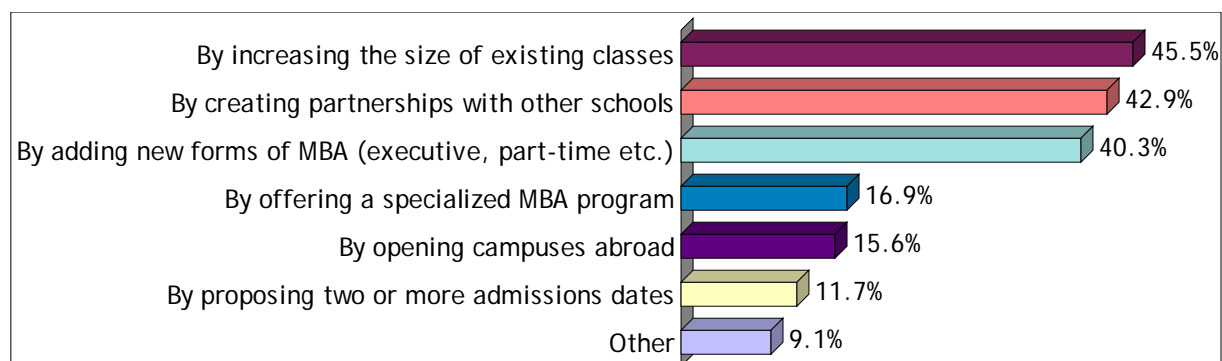
Without going as far as to discuss the difference between these and the students' own expectations, we could have expected more balance between these motivating factors. Given the time and money invested, the issue of return on investment is often at the heart of MBA students' preoccupations. It is impossible that they invest such a large financial stake without expecting some sort of defined material return in terms of salary.

Amongst the students' motivations, those running MBAs rarely mention the possibility of them integrating into powerful business networks. This denotes a kind of naïve optimism, to the extent that those taking MBA courses cannot deny their interest in gaining access to such networks and have high expectations concerning them.

#### ▪ Expansion Options

If the survey is anything to go by, reassembling data grouped together elsewhere, the trend toward expansion in the MBA market is far from over.

In response to the question whether they know if their establishment intends to expand its MBA programme or programmes in the coming years, 77.9% of those surveyed replied in the affirmative. Invited to indicate in what way(s), three were highlighted:



Increasing the size of the annual academic intake (the first solution envisaged by 45.5% surveyed) is a recurring issue, in particular for European programmes, for reasons of critical mass, course financing, credibility with regard to the influx of students with US MBAs...and course profitability.

The creation of partnerships of all levels with other schools is both an alternative and a complement, and initiatives of this kind are multiplying, as witnessed by the existence of Trium<sup>8</sup>, and the partnership between INSEAD and The Wharton School of the University of Pennsylvania. More recently, the agreement reached between the ICN École de Management (School of Management) in France, the Management College of Georgia Tech in Atlanta and the ITBA (The Technology Institute of Buenos Aires) regarding the creation of an *Executive MBA*, Global Team EMBA, moves in the same direction.

Opening campuses abroad, even if this clearly necessitates a level of investment not available to all the players in the market, is a solution that could lead to other openings in the future. A number of US schools seriously envisage establishing satellite campuses abroad - in the Middle East in particular. These aim at meeting the needs of students for whom the Patriot Act has made travel to the United States difficult.

Ultimately, the creation of new types of MBA programmes (mostly specialised), is a response to market developments. Each programmes looks to attract candidates to invest time and money in a relatively bleak economic climate.

<sup>8</sup> Trium is the name of an *Executive MBA* which brings together three first-rate establishments via a shared programme: HEC, the London School of Economics and Political Sciences and the New York University Stern School of Business.

- **Excess Supply and Stagnating Demand**

Once compiled, these findings lead us to conclude that the range of initiatives in the MBA market continues to be lively. The market is in full swing in a highly competitive environment.

MBA's of all types and levels are multiplying across all five continents, either aligning themselves to Anglo-Saxon models, or putting in place original product offerings (specialist MBAs, executive MBAs...). The latter must battle for attention, in spite of strong criticism, challenged as they are by less universal visibility than the flagship MBA product.

The hue and cry accompanying certain of these initiatives demonstrates that, in some respects, anything novel worries the competition, which is very quick to elude to a "model" that is, itself, very fluid. The proof is that a good number of US MBAs, whilst brandishing a model for which they deem themselves to be safekeepers, are increasingly creating alternative products: *Executive MBA, part-time MBA, on line MBA...*

## II - The Outlook: Stability or Change

### ▪ Market Conditions

For some time, Anglo-Saxon MBAs have had a near monopoly position in the global market, and this will continue to guarantee them income in years to come. However, US domination is no longer as widespread or as complete. We review some indications of this here.

Three-quarters of US MBAs experienced a fall in the number of applicants in 2003 and this trend appears to be continuing for the first six-months of 2004. Both less well-known programmes and first-rate universities have registered a decrease: –27% at Darden (University of Virginia), –26% at Haas, the Business School of Berkeley, –30% at Wharton, in Pennsylvania...That said, it should be noted that the drop in the number of applicants has also affected European programmes. Both the multiplying range of products and a morose economic climate have had an impact. Nevertheless, this decline is taking place to a lesser extent than in the United States.

The number of applicants applying for student visas to the US fell from 381 000 in 2002 to 285 000 in 2003. With each year, the impact of the Patriot Act<sup>9</sup> becomes increasingly apparent. Even more troubling, work visas permitting young graduates to work in the United States after their studies are spiralling downwards: 201 000 were granted in the first half of 2001 compared to only 65 000 in the first half of 2004.

During the same period in the United Kingdom for example, a reverse movement has taken place, which aims at facilitating graduate immigration to the country. The UK Ministry of Finance's *Highly Skilled Migrant Programme* allows graduates from a defined list of MBA programmes (made up of 50 of the best universities in the world, hand-picked by the Ministry) to live and work in the UK, without a visa and without having to justify that they have work in advance. Better still: graduates can obtain nationality after only five years. The country is suffering from a manifest lack of top-level business executives, and the Ministry hopes to compensate for it in this way.

Similarly in France, the government is aiming to make the country more appealing in part, by seeking to "*attract the best foreign students and the best international researchers*"<sup>10</sup> with an onslaught of reforming measures: forgoing the requirement of having a command of the French language as an application prerequisite, measures to assist in obtaining residence permits, increasing the number and size of grants reserved for foreign students...

Viewed in this context, the European product range appears united by values and specifications. These give it a certain coherence, which should further strengthen the Bologna Accord.

A number of those managing European programmes highlight the rise in student applicants from Arab countries in general and the Middle East in particular. They suggest that either

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<sup>9</sup>The legislation, introduced in October 2001, after the September 11 attacks, reinforces internal security measures, leading to a serious restriction in visas granted, in particular, to Middle East countries. In addition, since January 2003, it obliges US universities to transmit the addresses of foreign students, as well as data concerning their course attendance or any disciplinary measures which have been taken against them to the authorities.

<sup>10</sup> Government conference of 7th February 2005.

these students give up faced with the difficulty of obtaining a North-American visa, or they refuse to study in a country whose political policies they find discouraging. This case was often mentioned and believed to be true by those in charge of recruitment responding to the survey. In England, the number of students from Japan is on the rise, though until the last few years they have been more oriented towards the US.

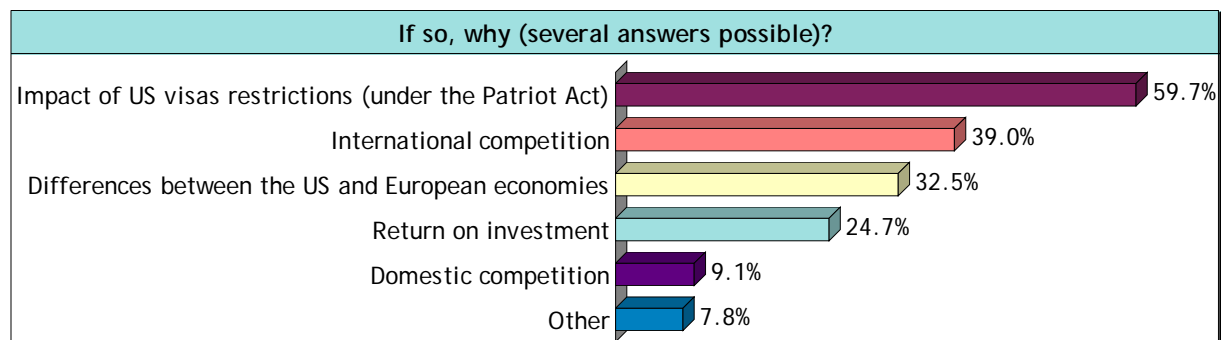
The causes of sluggishness in the US market are varied. While the Federal Government cannot deny a part of the blame for the political stance it has taken, to entirely attribute the decline in US MBAs to the *Patriot Act*, and to place responsibility wholly with Washington for a declining market share is somewhat excessive.

What are the advantages of European MBAs compared to their US equivalents? Do they present a lasting threat to the US share of the market?

- **The Alternative Model of the European MBA**

The recognition of a substantial increase in European MBA market share is almost unanimous among European and international respondents:<sup>11</sup> 77.9% considered that European MBAs are growing market share, against only 13% believing the contrary.

It is worth noting that those denying an increased European prevalence were all either American or Asian. The causes cited for the increase are as follows :

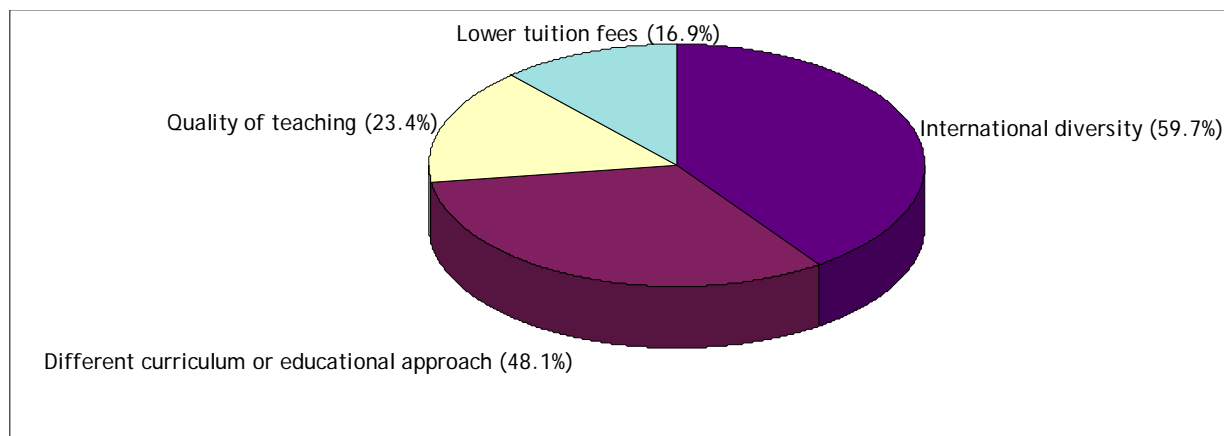


It is apparent that the universities (the role of the *Patriot Act* is considered higher by US universities) clearly place responsibility for the decline with the US government: 59.7% cite the impact of the measures taken by Washington after the attacks of September 11, 2001. International competition is also identified as a major cause for the US decline, ranked second with 39% of those surveyed mentioning it.

Better still, the notion that this increased European strength is the result of a credible European product offering comes across equally clearly (70.1% rated the European offering as a "serious alternative"). This is recognised by the Americans themselves.

Invited to specify the reasons for this success, those surveyed spoke of the following factors (those with a total superior to 100, several answers being possible):

<sup>11</sup> 9.1% of those polled did not express an opinion.



Curiously, course fees are not cited as one of the most important reasons for increasing competition, although they are often less for European MBAs (only 16.9% of those polled referred to this); none of those polled referred to the lower cost of living in certain countries as a determining factor. Amongst the factors most frequently cited, better quality of teaching was only mentioned by a quarter of those surveyed (23.9%).

The fact that 59.7% surveyed referred to international diversity is down to the straightforward fact that diversity is becoming a trademark of European MBAs: whilst only 25% to 30% of those following US MBAs are foreign students,<sup>12</sup> this percentage rises to an average of 60% for European MBAs. On average, this figure is only 10% for programmes in Pacific Asia. *"One half of American students"*, the director of an MBA on the East Coast points out, *"want an international experience, particularly the vivacity and cultural receptivity that not all American programmes offer"*. It should be noted that international diversity matters not only to students, but equally to faculty. On average, the faculty is much more international in European MBA programmes than in their US counterparts.

Different pedagogical approaches was also cited by nearly half of those polled (48.1%). European MBAs, often shorter and more specialised than US ones, obviously entice students, or so directors of courses believe.

Finally, many courses' directors note that until the last few years, the European market has been less saturated than the US market. **The older American market has now reached maturity: it is more difficult to establish new programmes there or to shake up the hierarchies than in Europe, which is still a youthful, flourishing marketplace in which bold measures can pay off.** This explains why many academic establishments are betting on the MBA. For many students, it is still a new qualification and its reputation and appeal for the institution is still good. *"Fifteen years ago, it was likely"*, as one Dean explains, *"that a European student with an ideal profile for an MBA, would not even have wanted to follow a course; today, this is no longer the case."*

#### ▪ The Concealed Concerns of American MBAs

A paradox emerges from the survey regarding whether those surveyed judge their own programmes to be in danger. Although an overwhelming majority (70%) of those managing programmes acknowledge increased competition in general, and that of the European offering in particular, few regard their own programmes as endangered (22.1%).

<sup>12</sup> These are global figures, which by no means exclude much higher percentages for certain programmes.

This is surprising: even the most highly regarded MBAs are experiencing a significant fall in the number of candidates. Also, as we have seen, a large majority of those surveyed (77.9%) acknowledge that the European product range is eating into the US market share.

A proportion of those surveyed undoubtedly believe that this is only a passing trend. For example, one Dean judged that it is, "*still too early to speak of a lasting transformation of the MBA market*". Others point out that because their particular MBA occupies a specialist niche, they are not particularly worried about competition. Others also state that their recruitment is mainly local, thereby admitting that their particular programme is not in the premier league and therefore, immune from the developments taking place at an international level.

### ▪ Attracting New Candidates

The survey included a sliding scale designed to evaluate the factors which, in the eyes of those managing MBAs, are the most likely to strengthen a programme's capacity to attract candidates: official accreditations, international or national rankings, its reputation amongst recruiters, its network of former international partners...Marks ranged from 1 (negligible impact) to 5 (very significant impact).

Not surprisingly, accreditations continue to carry quite significant weight (74.6% consider them to be important or very important): the credibility that they bring to a programme, which contributes to their ranking against the benchmark institutions is extremely significant.

90.7% polled consider the alumni network important or very important for attracting new candidates. Today, MBA alumni and their networks – without even mentioning alumni donations, which are considerable in the US and increasing in Europe – serve as a marketing device. In promoting their former programmes throughout their careers and reflecting their university by their own progress, former students help to perpetuate an MBA's appeal and to increase its visibility.

This is evidence in itself that even universities, particularly European ones, are increasingly relying on this method to reinforce their image, concentrating ever more attention on their alumni.

The importance of national and international rankings is equally revealing. If we collectively take indices 4 and 5 into account, we observe that the overall significance, at both the national and international level, is approximately equivalent (54.6 and 55.5%, respectively). Herein lies evidence that if the battle between the 'big' MBAs is currently taking place via international rating systems, such as that of the *Financial Times*, national ratings remain as crucial for those programme which recruit (partly or entirely) nationally. The significance accorded to rankings – despite being increasingly attacked by Deans arguing against their value and methodology – demonstrates once more that universities cannot afford to disregard undertaking the classification process.

Equally, reputation in the eyes of recruiters, which also influences ratings, is judged significant or very significant by 66.7% of those polled. This attests that a basic economic factor is deemed useful for attracting students to programmes whose value can be measured (among other things) by the return on investment students can expect. There is a direct link between how an MBA is perceived by recruiters and its attractiveness to students.

As for the importance of international partnerships, the statistics bear witness that partnerships clearly have a significant impact, though they are no longer a guarantee of attracting more students. This is without doubt because many universities have doubled their high-profile agreements be they more or less concrete. Simply signing agreements is no longer sufficient for attracting candidates.

- **Prospects for Alternative MBA Programmes**

The survey asked those responsible for MBAs to evaluate future areas of growth or contraction over the next few years. A mark of 1 indicates rapid contraction, 5 signifies strong growth.

One observation clearly stands out: only 12.3% of those surveyed predict that the classic model of the full-time MBA, irrespective of length, is likely to experience great or very great expansion in the coming years. Close to a third (32.9%) estimate that this model will decline and one programme manager in two (49.3%) believes that the market for full-time MBA programmes (of more than 18 months' duration) will plateau in the coming years. Course managers consider that *Executive MBAs*, *Specialised MBAs* and *Part-time MBAs* are clearly three winning models. Having been on the global market for some time, they no longer have the disadvantage of appearing like innovatory programmes. Having already survived the test, less than 15% of those surveyed estimate that they will decline and in terms of *specialist* and *part-time MBAs*, opinion is unanimous that they will not contract.

Even more surprising, many consider that the *on-line MBA*, though the model is still being formed, will grow significantly (76.2% believe it is on the threshold of a period of strong or very strong growth). This reflects the enormous possibilities opened up by the explosion and coverage of new technology with the development of e-learning. As was previously the case with *part-time MBAs*, the on-line MBA responds to the strong demand by professionals unwilling, for personal and financial reasons, to put their careers on hold in order to follow an MBA. The value of such programmes remains to be determined, not least because this model is relatively new and has still to be tested.

# Conclusion

Stagnation in the number of applicants, growth in the product offering, increasing 'vagueness' surrounding the MBA brand...within the context of decreasing demand,<sup>13</sup> it is clear that the MBA market today is teeming with new ideas and initiatives, searching for a newer or more attractive product range. The time has come to increase the types of MBA on offer and to reduce the length of MBA studies, as candidates have shown themselves increasingly less willing to interrupt their careers for the 18 to 24 months of a traditional MBA.

The MBA brand is no longer a guarantee to the extent that ranking among an abundant range of products has become more and more necessary. Certain less scrupulous establishments have been prompt to categorise themselves as having MBA status without possessing the necessary competence or teaching staff. The case of the University of Texas is obviously rare: Trinity Southern University was recently caught out by a US state prosecutor for awarding MBAs on line based on such farfetched criteria as to enable a journalist to enrol and be granted the qualification for his cat! Even if this is an off-the-wall example, it nonetheless provides a suitable reflection on the general direction in which the tide is flowing.

In terms of the growing fluidity in the market, the accreditation system comes into its own. In validating, the solidity and quality of particular establishments by the most objective possible criteria, the AMBA, AACSB or EFMD allow high quality schools to distinguish themselves from second rate ones. However, it is not unimaginable that other systems of accreditation will emerge at an international level. This being the case the struggle to be the most attractive continues among accredited schools: accreditations have become a necessary condition for visibility, though not a sufficient one on their own.

For many years alone in the market, US MBAs are today faced with rising competition. As the marketplace has become more divided, will those in the US learn from this awareness of the need to reassess and adapt the format of their programmes in order to retake the lead in the market? One can wager that pragmatism is going to be of the essence in this field, all the more so because the debate affects the North American sphere as much as that of Europe. Even if a number of large universities have started to react by establishing campuses directly in foreign countries, particularly in the Middle East and Asia, not all possess the financial means for such an investment. This is particularly as the medium-term advantage of doing so has yet to be proven.

Beyond the battle between universities to be the best and most appealing, the changes currently affecting the MBA market are more widespread. In comparison to the Higher Education market in general, MBA students are in a very small minority worldwide. Today, for demographic reasons, but also because the length of studies is tending to increase in both industrialised and developing countries, it is post-secondary and post-secondary + 4 level qualifications which initially attract applicants and which have the highest economic impact.

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<sup>13</sup> The most recent data collated by the Graduate Management Admission Council (GMAC) report a slight increase (of the order of a 5%) in those enrolling for its GMAT test since August 2004. That said, it is the Chinese market alone that is responsible for this recovery.

The emergence of economies, such as India and China, will automatically entail huge demand by international and local businesses for top level managers. The need for adequate training programmes will grow proportionately, even more so because of the significant demographic size of these countries. It is likely that businesses needs will be met first by less elitist qualifications (such as *Bachelor* or *Masters* degrees). But later on, the need to educate the elite will resurface leading to new demand for MBA programmes.

The concerns of the MBA market are representative of those more widely affecting the entire Higher Education market, to the extent that the quality of education directly influences the ability of nations to play a role on the international stage.

*Noir sur Blanc is a pan-European press and public relations agency specialising in higher education and company-university relations. As a leading expert in this field, the agency carries out a major survey in this sector each year. For more information about the MBA survey or previous Noir sur Blanc surveys, please contact [aquentinperez@noirsurblanc.com](mailto:aquentinperez@noirsurblanc.com) or visit our website <http://www.noirsurblanc.com>*

## APPENDIX

### Questionnaire

#### *MBA Global Trend Survey*

##### Details

Full name (optional): \_\_\_\_\_

Name of University/Institution/School: \_\_\_\_\_

Job Title: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Country: \_\_\_\_\_

Language of the programme: \_\_\_\_\_

##### Your MBA programme

Which of the following descriptions apply to your programme (several answers are possible):

- MBA programme of 18 months or more
- MBA programme of less than 18 months
- Executive MBA
- Part-time MBA
- On-line MBA
- Specialized MBA

If 'Specialized MBA', please specify in which field:

\_\_\_\_\_

For how many years has it been running?

- Less than 10 years
- 10-20 years
- More than 20 years

How many years of professional experience are required for admission in your programme?

- None
- Less than 5 years
- Between 5 and 8 years
- 8 years or more

Apart from such tests as the GMAT, TOEFL, etc., do you require candidates to take an EQ test (emotional quotient)?

- Yes
- No

What is the average age of students currently enrolled in your programme?

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Has this average age dropped or increased over the past three years?

- Dropped
- Increased
- Unchanged

Do you have one or more of the following international accreditations? (Several answers are possible)

- AACSB
- EQIS
- AMBA
- Other

If 'Other', please specify: \_\_\_\_\_

Some business schools now award an MBA degree at the end of their undergraduate business programme (for young students with no professional experience). Are you familiar with this new type of MBA?

- Yes
- No

If so, what do you think of this choice on the part of such schools?

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What are your students' objectives for studying an MBA programme (maximum 3 answers)?

- To acquire management skills
- To boost their career
- To increase their salary after graduation
- To create or take advantage of a network
- Other

If 'Other', please specify: \_\_\_\_\_

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Is your university/school planning to expand its MBA programme in the years to come?

- Yes
- No

If 'Yes', in what way (maximum 3 answers)?

- By increasing the size of existing classes
- By proposing two or more admissions dates

- By adding new forms of MBA (executive, part-time etc.)
- By opening campuses abroad
- By creating partnerships with other schools
- By offering a specialized MBA program
- Other

If 'Other', please specify:

---

### Prospects for the MBA market

On a scale from 1 (negligible) to 5 (very significant), how do you perceive the impact of the following assessments/factors on an MBA programme's ability to attract applicants?

	1	2	3	4	5
Official accreditations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
International rankings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National rankings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reputation among recruiters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
International partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Alumni network	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Do you think the number of MBA programmes on offer in your region will:

- Decrease
- Remain stable
- Increase

On a scale of 1 (rapid contraction) to 5 (rapid expansion), how do you perceive the growth prospects for the following types of programme over the next few years?

	1	2	3	4	5
Full-time MBA programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Executive MBA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Part-time MBA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
On-line MBA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specialized MBA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**In your opinion, do European MBAs represent a serious alternative to the American MBA model?**

- Yes
- No

**If so, on what grounds?**

- Different curriculum or educational approach
- Quality of teaching
- Lower tuition fees
- International diversity

**Do you think European MBAs are increasing their share of the MBA market?**

- Yes
- No

**If so, why (several answers possible)?**

- Impact of US visas restrictions (under the Patriot Act)
- Differences between the US and European economies
- Return on investment
- Domestic competition
- International competition
- Other

**If 'Other', please specify:**

---

**Do you think your own MBA programme is at risk?**

- Yes
- No

**If so, why (several answers possible)?**

- Your country's policy on visas for foreign students
- The current economic situation
- Return on investment
- Domestic competition
- International competition
- Other

**If 'Other', please specify:**

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**How do you promote your programme (several answers possible)?**

- Advertising
- Press relations
- Mailings
- Alumni network
- Rankings
- Other

**If 'Other', please specify:**

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How do you plan to attract more applicants to your MBA programme (several answers possible)?

Advertising

Press relations

Mailings

Alumni network

Rankings

Other

If 'Other', please specify:

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