

# **THE FUTURE OF BUSINESS EDUCATION & THE NEEDS OF EMPLOYERS**

A report by Hult Labs

Commissioned by Hult International Business School

March 2014

## The Future of Business Education & the Needs of Employers

### Section 1. Introduction: Why Hult undertook a study of employer needs

The needs of employers are changing constantly, and business schools have no choice but to respond if they want to stay relevant. According to an October 2013 study from Accenture,<sup>1</sup> nearly half (46%) of employers are concerned they won't have enough people with the right skills and abilities within the next one to two years. A similar study from Manpower Group<sup>2</sup> in 2013 stated that over one out of three (35%) organizations are having difficulty filling positions because of a lack of suitable candidates.

Despite employer needs for more graduates with better skills and abilities, many business schools are still behind the curve in producing these graduates, including Hult. Yet while many studies, articles and books have been written about the need for business education to modernize in the face of economic, technological and societal change, not much *actual* change has yet occurred. Some limited change has occurred at some MBA programs in terms of course topics and a renewed emphasis on practical skills, but a fundamental rethinking of how student abilities are measured on their journey has not yet occurred.

The widespread use of traditional educational techniques in the face of massive technological and economic change could mean many business school graduates will find it increasingly harder to justify higher salaries upon graduation, unless they can point to some truly differentiating skills they acquired while earning their degree.

But the urgency of employers to find qualified managers will not go away. Nearly a quarter of U.S. workers are within a decade of retirement age, with similar percentages in other developed countries. Developing markets will soon require similar levels of managerial talent as in the developed world. And as the nature of work itself gets more complex, an increasing percentage of jobs will require an advanced degree.

As a result of these challenges, Hult decided to re-think its MBA program from the bottom up. To help, Hult created Hult Labs, an internal think-tank and research unit, to interview employers around the world about their views on current business school graduates and how business schools could do better.

This paper provides a general summary of Hult Labs' initial research findings, as well as views on the implications for the future of business education. As a direct result of this research, Hult will launch a completely rebuilt MBA curriculum starting in September 2014—one focused on giving students the critical competencies they need through unique learning experiences, while monitoring the results in measurable ways.

Hult's new approach is an experiment that will bear fruit over time, and is on the right track for designing a 21<sup>st</sup> century MBA program. Hult will continue to experiment with and test new educational measurements, pedagogies, technologies, as well as seek feedback from employers all over the world to make sure Hult remains responsive to changing employer needs. Hult knows it must remain vigilant to meet the needs of a rapidly evolving world.

---

<sup>1</sup> <http://www.accenture.com/us-en/Pages/insight-accenture-2013-skills-employment-trends-survey-perspectives-on-training-infographic.aspx>

<sup>2</sup> <http://www.manpowergroup.us/campaigns/talent-shortage-2013/>

## Section 2. Executive Summary

From late 2012 to early 2013, Hult Labs conducted 90 interviews with a globally diverse group of C-suite executives, managers and academics—all to understand their perspectives on the current state of business education. In particular, Hult Labs asked for their thoughts on how MBA programs can improve. 44% of those interviewed expressed a negative view on the current state of business education, while another 23% expressed a mixed or neutral view.

A summary of Hult Labs' findings:

### 1. Business schools do not adequately measure if their students are actually learning new, relevant skills and behaviors.

Interviewees said business schools do a poor job of preparing students to enter the workplace, largely because they do not adequately measure the skills and behaviors learned by students while in a business school program. Leaders said that distilling student performance down to a single crude metric (e.g., grade point average) isn't useful for evaluating talent or predictive of career success. Employers felt business schools could do a better job testing for and measuring these qualities, rather than relying on a traditional grading structure. Furthermore, they felt that sometimes a high grade point average meant reflected students who were not challenging themselves enough or taking enough risks. Many employers said they preferred MBA graduates who can be flexible and agile, rather than be overly risk-averse.

There are many reasons schools are unwilling to change how they measure students—from tenure systems that keep faculty entrenched in old ways and mindsets, to academic cultures that emphasize research and writing over quality teaching, to the safety of collective decision-making that causes would-be innovators to be shunned at best and demonized at worst by change-resistant colleagues. Yet employers said that to prepare a different, better caliber of student, a new student evaluation system is needed.

### 2. Business schools don't place enough emphasis on building ten critical skills and abilities.

Those interviewed brought up a set of ten critical skill sets they felt were necessary for success in the real world. People we talked to said they wanted to see schools spend more time giving students the chance to demonstrate—and receive feedback on—these skills, rather than use valuable, limited time on traditional core subjects that discuss concepts graduates won't need for years.

The ten skills and abilities the interviewees identified as critical are:

- **Self-awareness:** Graduates should know their strengths and weaknesses, which will help build a strong foundation for future leadership and collaboration with others.
- **Integrity:** Schools should help students solidify their own moral purpose, as well as stress adherence to ethical principles in the workplace—both in public and in private.
- **Cross-Cultural Competency:** Schools should help students learn how to interact successfully with people from different cultures and in diverse cultural settings.
- **Team Skills:** Graduates should be highly effective team players in today's increasingly collaborative, global workplace.
- **Critical Thinking:** Schools should teach students to think critically, as well as how to analyze problems in-depth, and formulate solutions.
- **Communication:** Graduates need to exhibit strong communication skills, in both written and

verbal forms.

- **Comfort with Ambiguity & Uncertainty:** Graduates need help figuring out how to navigate successfully through situations that don't have clear answers—and how to cope with failure.
- **Creativity:** Schools should arm graduates with more approaches and strategies on how to tackle challenges of all sizes in unique ways.
- **Execution:** Graduates must understand that employers will expect them to make meaningful contributions to their organizations right away.
- **Sales:** Graduates need strong sales skills, including but not limited to the ability to persuade and influence others.

There was broad agreement among both executives and managers that these skills are important, although there was debate as to how to rank the importance of each. Both executives and managers cited self-awareness and integrity most frequently as the skills they would like to see business schools emphasize. But executives cared far more about giving students more experience navigating ambiguity and uncertainty, given today's increasingly rapidly changing world. Meanwhile, managers stressed the importance of having strong communication skills, as well as the ability to execute.

### **3. Business schools continue to overemphasize theory, and should instead concentrate more on simulating real-world experiences.**

About a third of those interviewed (34%) stated explicitly that students receive far too much theory during their business education experience, and as a result, receive fewer chances to actually practice the skills they need to succeed in the workplace. They stated that they preferred to see students simulating real-world business situations as much as possible during their education—by working with professionals who can give them useful professional advice, rather than faculty who have never worked in business. On a similar note, many said that having faculty members with deep experience in business is essential to helping students acquire critical skills.

Collectively, these findings signal a business school industry in danger of becoming out of step, unless those schools make significant changes. Many employers said that unless they saw a commitment from schools to become more responsive to their needs, they might gradually reduce or even cease hiring from such institutions. Thus, Hult believes business schools would do well to heed these warnings from employers and respond accordingly.

### **Section 3. About this Study**

Hult Labs began this study of employer needs because they recognized that teaching and evaluating MBAs in the same old ways would not be sufficient to solve the challenges of the 21<sup>st</sup> century. Hult Labs sought out the views of executives, managers and faculty members from institutions around the world.

This study is based on interviews at least an hour long with 90 executives, managers and faculty members from across the globe. 51% of the interviews were with C-suite executives, 41% were with managers and 8% were with academic leaders. Interviews were conducted from August 2012 to February 2013 in locations around the world.

Most of the interviews (60%) were with organizations inside North America, as that is where most Hult students seek employment after graduation. 9% of the interviews were with organizations in Europe, 17% with those working in developed Asia (Japan, Korea, Hong Kong, Singapore, etc.) and 14% with organizations in emerging markets (South America, UAE, China, South Africa).

Interviews were conducted with each person either live or via Skype. Interviews were conducted via a pre-determined set of questions, though the topics covered during interviews varied according to interviewee interest.

## Section 4. Principle Findings of the Hult Labs Research

Employers had many opinions about the current state of business schools, but there was a common thread throughout their comments—many of those interviewed, leaders and executives alike, thought business schools could do a much better job of producing graduates with the right combinations of skills.

As discussed in the executive summary, employers had three main critiques of business schools.

- 1. Business schools do not adequately measure if their students are actually learning new, relevant skills and behaviors.**
- 2. Business schools don't place enough emphasis on building ten critical skills and abilities.**
- 3. Business schools continue to overemphasize theory, and should instead concentrate more on simulating real-world experiences.**

### **Critique #1: Business schools do not adequately measure if their students are actually learning new, relevant skills and behaviors.**

Employers said that many business schools today are better structured for the Industrial Revolution rather than the Information Age, especially those featuring a traditional grading system, fixed assignment structures, outdated syllabi and case studies. Employers felt all of these educational elements contribute to a sense that business school students are merely regurgitating old knowledge, not learning valuable new skills.

Business leaders were especially critical of the traditional grading system used by many business schools, as they believe it doesn't deliver much in the way of appropriate or relevant feedback. Distilling student performance down to a single crude metric (e.g., grade point average) isn't useful for evaluating talent or predictive of later success. Tang Kin Fei, Group President and CEO of Sembcorp Industries said, "There are so many examples of smart people with great grades who just don't do all that well. I guess it takes you awhile in an organization before you realize that the leaders of an organization are not the smartest, or the ones who got the best grades in school. They have leadership qualities like tenacity, patience, and the ability to stick to something."

Employers also felt business schools could do a better job testing for and measuring these qualities, rather than relying on a traditional grading structure. Furthermore, they felt that sometimes a high grade point average meant reflected students who were not challenging themselves enough or taking enough risks. Many employers said they preferred MBA graduates who can be flexible and agile, rather than be overly risk-averse.

Finally, the traditional structure of business schools especially irked employers when it came to outmoded teaching material. While they expressed that popular case studies could provide some insights into some of the immutable truths of business, they also said that such material should be used sparingly. One CEO stated: "The knowledge being [taught] in [most] business schools is so out of date. I'm really surprised by this actually. My people are not getting the ideas that are on the cutting edge of theory. They are mostly getting very old information from old articles and old cases."

## **Critique #2: Business schools don't place enough emphasis on building ten critical skills and abilities.**

During these interviews, employers kept referring to the kinds of skills and abilities they believe students need to develop to be as prepared as possible for the workplace of tomorrow. A careful analysis of the interviews revealed ten different unique skills. It is worth noting that employers do not expect graduates to have perfected all these skills, but that they expect schools to do a much better job selecting for, and developing these skills in their students as a result of their experience in the program. These skills are identified below in the order of frequency of mention.

### **1. Self-Awareness**

Graduates should know their own strengths and weaknesses, which will build a strong foundation for future leadership and collaboration with others. Employers expressed the view that people with high levels of self-awareness are more likely to become successful leaders, and that schools can do much more to help students hone their self-awareness. One way of doing this is to allow them to fail more often. Schools should also give students significant guidance on how to deal with adversity, as well as provide numerous opportunities for students to assess their own abilities and receive feedback from peers. 62% of all interviews mentioned this skill.

### **2. Integrity**

Schools should help students solidify their own moral purpose, as well as stress adherence to ethical principles in the workplace. Because companies want to hire graduates with the highest integrity and ethics, schools need to emphasize ethics in their admissions criteria as well as throughout their programs. 60% of all interviews mentioned this skill.

### **3. Cross-Cultural Competency**

Schools can better prepare students to interact successfully with people from different cultures and in different cultural settings. Merely sitting in a classroom with people from different backgrounds is not enough to build a global mindset. Schools must create multiple opportunities for students to apply what they learn in culturally diverse settings. Faculty members need to ensure their lessons on how to act in such diverse settings are made explicit for students. 57% of all interviews mentioned this skill.

### **4. Team Skills**

Graduates need to be successful team players in today's increasingly collaborative workplace. Employers stated that strong people skills are much more important for companies than "hard" skills and functional knowledge (e.g., finance). Many students graduate without honing their competencies on how to work well with others, manage employees, or deliver and accept feedback. Employers would like to see students obtain insights on why teams perform well or poorly that they can readily apply on the job. 49% of all interviews mentioned this skill.

### **5. Critical Thinking**

Employers wanted schools to teach critical thinking skills, as well as how to analyze problems and formulate solutions. They said that students who can look at complex issues from multiple perspectives are more effective in the workplace and better at creative problem solving. But students need multiple opportunities throughout their program to practice balancing risks and trade-offs in settings that mimic the real world. 48% of all interviews mentioned this skill.

### **6. Communication**

Employers were adamant that graduates exhibit strong communication skills, both written and verbal. They stated time and again that communication is a critical skill, yet most schools do very little to help

students improve. Employers stressed that hiring people with strong writing skills is a priority, and that graduates who can speak concisely and confidently are highly valued. 48% of all interviews mentioned this skill.

### **7. Comfort with Ambiguity & Uncertainty**

Though it's not an easy skill to acquire, employers place a high premium on the ability to navigate successfully through situations that don't have clear answers. Traditional classes, however, provide an illusion of certainty and linearity that does not reflect the real world. Students need to show they can solve complex, murky challenges despite incomplete data. Employers said that students would highly benefit from more opportunities to grapple with ambiguous problems from time to time throughout their program, individually and on group projects. 41% of all interviews mentioned this skill.

### **8. Creativity**

The business world isn't all logic and data, which is why employers said they want to see schools arm graduates with more creative ways to tackle tough, sticky—and increasingly global—challenges. Simply put, organizations are looking for graduates with superior creative abilities. When students are given the chance to apply business principles in creative ways, they build a number of other important skills simultaneously. By carving out more opportunities for students to be creative in their coursework, schools will produce more employable graduates who are unafraid to parlay a creative streak in their problem-solving approaches. 27% of all interviews mentioned this skill.

### **9. Execution**

Businesses have to move *fast*, which is why employers said they need graduates who can start making meaningful contributions right away. The ability to deliver time and again, even amidst pitfalls and failures, is a major predictor of future success, which is why schools can help prepare students to deliver results consistently in the face of unanticipated changes and challenges. Employers said frequently that students should avoid getting mired in using models and theories to solve problems, as they are merely a means, not an end. 21% of all interviews mentioned this skill.

### **10. Sales**

Graduates need strong sales skills, including but not limited to the ability to persuade others. Students need to learn how to pitch, persuade, and obtain buy-in from internal and external stakeholders. Sales as a subject area is evolving, and it's become a more valued competency for businesses internally and externally. Employers want to see schools teach students how to integrate sales into other core business functions. Hult heard the message loud and clear: students who receive more opportunities to practice "selling" will be more valuable to employers. 19% of all interviews mentioned this skill.

### **Differences in emphasis between Executives and Managers: Executives want more comfort with ambiguity and uncertainty; Managers want the ability to communicate and execute.**

Executives and managers ranked these ten skills slightly differently. On a relative basis, executives cared much more about graduates being comfortable with uncertainty and ambiguity (52% mentioned it) than managers (only 27% mentioned it). Executives, having sufficient experience to know that decisions can often only be made based on gut instinct and a few key data points (a skill they've developed over time), understand that the most important skill is to make the right decision when facing vague and even contradictory data and signals.

Executives also said that when sufficient data is available to proceed very clearly in a certain direction, even the world's worst manager could make the right call. But when the data are at cross-purposes, or when acting on that data will anger key internal constituencies or customer segments, the ability to

make the right choice separates the effective from the ineffective. Executives, with their lengthy track records and experience, understand this, and thus value this skill much more than managers.

Managers, on the other hand, seemed to value communication skills (54% mentioned it) and execution (24% mentioned it) much more highly than executives (43% mentioned communication; 17% mentioned execution). This may be due to the fact that managers live and breathe these skills every day, by interacting directly with their peers, superiors and subordinates. The ability to communicate clearly and persuasively, as well as to follow through on commitments, are seen by managers as critical, must-have traits—and ones they probably wish they saw more frequently.

### **Critique #3: Business schools continue to overemphasize theory, and should instead concentrate more on simulating real-world experiences.**

Many employers emphasized the importance of replicating the real world as much as possible in a business school program—over one-third (34%) of those interviewed stated this explicitly. In order to do this, they recommended reducing the amount of theory resulting core courses. While traditional classes often overemphasize the amount of functional knowledge in traditional areas such as accounting, finance and marketing, employers felt basic proficiency in these areas was more than sufficient. Furthermore, when testing students' knowledge on these subjects, employers said students were seldom pushed beyond repeating simple academic models during their exams and essays—hardly the most innovative way to verify knowledge, let alone competency, in a given subject matter.

Employers also believed that students should have more applied experience because they felt students who receive this type of experience in school would enjoy a much stronger advantage in the labor market. Per H. Utnegaard, the President and CEO of Swissport International, said: “One way [to have students learn] is for people like me to work with students. But they have to come ask first. I'll be giving a lot more than I will really get back, but I can see a lot of value in getting a different perspective on my business [...] I might see things in a very different way.”

The most effective way for schools to deliver practical experience is to expose students to situations that resemble the workplace as much as possible, and in so doing, force students out of their comfort zones early and often. This method would not only give students critical experience, but also help potential employers see which students are the strongest performers in situations that resemble the real life. Jay Marshall, Chief Growth Officer and Managing Director of private equity firm Alix Partners said, “I'd like a school to provide a way for students to grow and learn about real business while I'm giving them a chance to do real business. And I would get to observe the students' progress and hire the best ones.”

## **Section 5. Recommendations for Business Schools to Address Employer Critiques**

There are many ways for schools to address the candid feedback employers gave, but one conclusion is unavoidable: continued inaction is not an option. That's why Hult responded to this feedback by creating a brand-new MBA curriculum for the fall of 2014 that integrates the recommendations described below.

### **Recommendation #1: Business schools should measure student abilities on as many relevant skills and abilities as possible, and provide customized, individual-level feedback from trusted professionals.**

Students won't know how they're doing on critical skills unless schools give them more precise measurements, explicit feedback and a plan for improvement. Schools need to be more rigorous about measuring both the starting and ending abilities of students who participate in their programs, as well as offer clear-cut feedback on students' strengths and weaknesses in each skill area as they proceed through the program.

Employers also believe students should receive constant and consistent feedback throughout their program. Employers say everyone—students, schools and employers alike—would find this data much more relevant than a simple grade point average. Students will also benefit from understanding exactly what they got out of their investment in a graduate business degree.

### **Recommendation #2: Business schools should simulate the real world as often as possible throughout their educational experience.**

Students need more exposure to real-world situations throughout their education. Whether that means giving them the chance to create a new start-up business model, practice managing in a crisis, or allowing them to try and solve a real and thorny business challenge provided by an external client, students would benefit from increased amounts of simulated exercises instead of additional lectures or case studies. There's no doubt that these types of learning experiences require more thoughtfulness and planning, but they can offer more palpable and intangible rewards for students. Schools that are inventive about the types of simulated experiences they deliver will give students an edge upon graduating—because students will have that many more concrete examples of how they handled themselves under pressure, as well as how they improved.

By creating new learning experiences in line with the above recommendations an integral part of their curriculum, business schools are in a better position to provide their students a sustained competitive edge in the marketplace compared to a traditional business school education.

Even with the above changes, Hult is just getting started. Hult expects its new MBA curriculum for 2014 will continue to change and evolve over time as it continues to collect feedback from employers all over the world, as well as gather student feedback on what worked and what didn't. Hult's commitment to its students, past, present and future, is to constantly experiment, learn as much as possible, and implement new learning experiences based on its findings.

## **Section 6. About Hult Labs**

Hult Labs is a research think tank focused on delivering thought leadership on the future of business education to stakeholders of Hult International Business School. Hult Labs is comprised of educators and innovators located across the school's five global campuses who share the common goal of re-engineering business education so it stays relevant to the needs of employers and students. In addition to providing research resources, Hult Labs is developing new, technology-enabled educational experiences in collaboration with employers, faculty and students.