

Why Management Education Matters

Its Impact on Individuals, Organizations, and Society

**A Report from an AACSB International
Task Force of the Committee on Issues in
Management Education**



Why Management Education Matters

Its Impact on Individuals, Organizations, *and* Society

A Report from an AACSB International
Task Force of the Committee on Issues in
Management Education

**AACSB International –
The Association to Advance Collegiate Schools of Business**

777 South Harbour Island Boulevard
Suite 750
Tampa, Florida 33602-5730 USA
Tel: 1+ 813-769-6500
Fax: 1+ 813-769-6559
www.aacsb.edu

© 2005 AACSB International

*The value of management education
to individuals, organizations, and society
is almost incalculable.*

Foreword

There's little doubt that the practice of business has contributed enormously throughout history to our quality of life and well being. Successful business enterprises have led the way in creating economic development and innovation, technology, and prosperity.

Business and management have been taught in institutions of higher education since prior to the turn of the 20th century. Our field has witnessed explosive growth and the MBA is now the most sought-after advanced degree in the world. The benefits of management education are measurable and impressive and are evidenced by concrete examples.

Clearly, there is strong value in management education because of its demonstrated impact—within a very short span of history—on society, individuals, and organizations. AACSB International's Committee on Issues in Management Education (CIME) appointed a task force to study the issue and its report follows.

This report is the first of a series of materials that will help to define and communicate the value of management education to a broad constituency. We all have a role to play and should speak up whenever possible to reinforce its importance. This will require a proactive approach and active communication.

Management education works. We must embrace this conviction and work collectively to ensure its inherent value is clearly articulated. AACSB is taking seriously its heightened focus on thought leadership and advocacy. With your help, we will make important contributions to the widespread understanding of the value of management education and its impact.

Richard E. Sorensen
Chair, Board of Directors, AACSB International
Dean, Pamplin College of Business
Virginia Polytechnic Institute and State University

September 2005

The VALUE

*Submitted by the Committee on Issues in Management Education Task Force on
The Value Proposition for Management Education:*

Chairs

Patrick R. Liverpool, dean, School of Management,
Delaware State University

Patricia W. Meyers, dean, School of Business Administration,
University of Dayton

Members

Angel Cabrera, president, Thunderbird, The Garvin School
of International Management

Lee Caldwell, president, Dixie State College

Paul Danos, dean, Tuck School of Business at
Dartmouth College

Fred J. Evans, dean, College of Business and Economics,
California State University, Northridge

Anne Graham, executive vice president and chief operating officer,
AACSB International

Stuart I. Greenbaum, dean, Olin School of Business,
Washington University in St Louis

Andrew J. Policano, dean, Graduate School of Management,
University of California, Irvine

Stephen R. Watson, immediate past principal,
Henley Management College

of Management Education

A Report from an AACSB International Task Force of the Committee on Issues in Management Education

Over the course of the last hundred years, business has transformed the world. It has been a driving force in shaping society and the catalyst behind extraordinary economic growth and opportunity. Effective management of business has spurred the creation of jobs, the generation of wealth, and access to opportunity for an increasingly diverse population. Management education has produced leaders capable of creating effective organizations that are the core of these profound, global achievements.

Successful students of management education acquire the knowledge and skills that enhance and enrich their lives and enable them to make meaningful contributions to their organizations. In turn, organizations that are successful in meeting their goals and fulfilling their purposes become enormous assets to societies, fostering greater productivity and a more desirable quality of life. The value of management education to **individuals, organizations, and society** is almost incalculable.

VALUE to Individuals

Individuals who pursue management education are typically passionate about the opportunity to “make things happen.” They are convinced that their participation in management will create lifelong rewards including:

- Development of a portfolio of personal skills that will strengthen their abilities to communicate, solve problems, make decisions, and lead organizations.
- Professional competence within an individual management discipline, the capacity for integrating and applying knowledge from other disciplines, and a strategic perspective on the management of organizations.
- Adaptability that comes from the acquisition of knowledge and skills that readily transfer to different work environments and to other dimensions of productive lives.
- Creation of personal wealth, self-sufficiency, and a sense of well-being.
- Ability to assist others through philanthropic donations of the personal wealth created by successful enterprise.

To achieve these outcomes, students rely on their management education in three distinct areas:

Management education provides graduates with a portfolio of competencies that facilitates meaningful contributions to organizations engaged in a variety of enterprises and pursuits.

If management education graduates are to contribute meaningfully to organizations, they must be equipped with specific knowledge, skills, and abilities that are honed through a comprehensive set of management education experiences. In

addition to mastering technical skills, students must acquire knowledge of ethics, social responsibility, law, and public policy, along with skill development in communication, leadership, and critical thinking. The success of management education in providing graduates with these critical competencies is evident in their career success. For example, a study of alumni from 30 highly-rated business schools showed that ten years after graduation, nearly one-third of those surveyed were in one of the top three positions at their organizations.¹

The breadth and depth of management education develops students capable of contributing to organizations with diverse missions and goals. A review of the careers of alumni from any quality management education program will find alumni making significant contributions to business, government, and not-for-profit organizations.

Management education produces well-rounded graduates who can help to strengthen the connection between business and society.

Management education is an extraordinary model of a liberal education. It is steeped in intellectual traditions drawn from theories and concepts representing a wide range of social sciences including economics, sociology, psychology, mathematics, and statistics. The disciplines of organizational behavior, business strategy, and finance, for example, each trace their intellectual roots to these social sciences. Students with knowledge and understanding in these fields can draw from their core education in liberal arts and sciences and their subsequent management education experience to develop a broad base for approaching future challenges.

A liberal arts foundation also helps students understand the extraordinary role of business in ensuring the efficient and effective use of global resources. Management education emphasizes

...ten years after graduation, nearly one-third of those surveyed were in one of the top three positions at their organizations.

the need for organizations to draw on resources in ways that balance the needs of individuals, economics, and society. In fact, one highly regarded management lesson holds that simply maximizing revenue or return to a single unit is seldom appropriate or effective in the long run. Rather, optimizing for the good of the whole should prevail. Identifying the best tradeoffs that result in this delicate balance “for the whole” is difficult. At its best, management education prepares individuals to analyze and answer these complex challenges.

Management education introduces students to a broader perspective of the role of individuals and business within society. Although media usually focuses on the examples of an irresponsible few, management leaders, by and large, fully understand the role of business in strengthening communities and the world. Awareness of that role can be seen every day. In a recent example, CEOs and others, working through their corporations, contributed more than 100 million dollars to the tsunami relief effort.² At the individual level, one study found three of four management education alumni made philanthropic contributions during the most recent two years, with an average contribution of more than \$7,300.³

Management education provides significant life-long economic benefit to graduates.

Management education’s contribution to the economic well being of graduates is a dynamic success story. A recent report on the economic value of management education conducted by the Australian Business Deans Council concluded that the average business undergraduate degree generates an economic benefit of \$498,794 per graduate as compared to \$183,513 for the average undergraduate degree. The benefit for a graduate degree recipient was \$659,726 as compared to that of the average graduate degree recipient with a value of \$254,085.⁴

With more than 200,000 diplomas awarded annually, the MBA is the world’s most popular graduate degree, and the economic benefit of achieving this graduate level management education is clear. A recent study linked four specific benefits to an MBA: higher starting salary, greater compensation growth, more stable long-term employment, and a higher likelihood of participating in the workforce. The authors use three measures to show that the average MBA degree is an extraordinary investment.

In 2001, for example, the lifetime earning power of the “average” MBA was about \$550,000 greater than the average college graduate.⁵ A second study considered compensation for MBAs over a ten-year period, 1992–2002, in the U.S. The average compensation for each MBA grew from \$56,000 after completing their degrees to \$387,600 after ten years. Although the \$387,600 includes bonuses and other compensation, buoyed partly by windfalls earned in banking and finance, the MBA premium is clear, especially when compared to the \$43,400 average salary for those with a non-management college degree.⁶



VALUE to Organizations

Management innovation through education and research has been integrally connected to private sector organizations since 1881, when one businessman's interest triggered the emergence of all business schools. Joseph Wharton, proprietor of American Nickel Works, asked University of Pennsylvania trustees to develop the world's first school of business. Since that time, business owners and managers have continued to engage management educators on many levels to achieve results that benefit business practice and the greater economy.⁷

Management education directly influences the effectiveness of organizations in ways beyond the critical role graduates play by leading and participating in organizations. The impact of management education and the practice of effective management is clearly seen in:

1. Research that advances organizational effectiveness and efficiency and generates new ideas, theories, and knowledge.
2. Commercialization and effective application of new technologies.
3. Production of goods and services that enhance the quality of life.
4. Facilitation of innovation.

While more research is needed to establish precise measures of the impact of management education on organizations, its existence is clear. Business school graduates not only help their organizations to reach their goals; management education also serves as a collective catalyst for innovation and continuous improvement.

Management education produces cutting edge ideas and theories that help to advance organizational efficiency and effectiveness.

Management education leads to the creation of knowledge essential to the success of 21st century organizations. Research in finance, accounting, and marketing, for example, has enhanced organizational success in a number of areas. The knowledge produced by management education has taken on new dimensions, adding diverse areas of inquiry such as derivative pricing, supply chain management, portfolio theory, decision-making, and quantitative methods. Research initiatives often entail testing new management techniques to validate, disprove, or measure their effectiveness.

Although clearly not in the same league as finding the cure for cancer, management initiatives such as improving inventory control or portfolio hedging can ultimately lead to greater productivity and, in turn, to better jobs, income levels, and quality of life. Management education and research contribute directly to—and even drive—business productivity and strengthens organizations directly at virtually every level.⁸

Management education leads to the creation of knowledge essential to the success of 21st century organizations.

Management education provides a fertile environment for the development and incubation of new ideas.

Beyond the contributions achieved through research, management education has developed programs to facilitate entrepreneurial ventures and “incubator” programs for new business ideas and technologies. Incubator programs bring together potential entrepreneurs and a team of management educators and students with the goal of moving promising products and services all the way from concept to market. Many universities co-locate technology incubators with management education activities or have faculty directly involved in university and community incubator programs. This direct involvement facilitates the process of connecting management expertise to organizations and boosts the co-creation and transfer of new ideas to the marketplace.

The U.S. Small Business Administration recognizes that management education provides a rich environment for innovation. Small Business Development Centers (SBDC) are frequently co-located with venues of management education and utilize that environment to provide management assistance to current and prospective small business owners in cooperation with the private sector and federal, state, and local governments. The impact of SBDCs on the communities they serve is significant. Research shows that organizations that receive SBDC services grow faster and have lower failure rates. The total public-sector revenue returned in the first year on each \$1 invested in the SBDC was \$3.06.⁹ Other value created by management education in developing the knowledge of business and the supportive environment to help these new organizations is incalculable.



VALUE to Society

A symbiotic relationship exists between business and society. Society depends on business for wealth creation, which leads to improved quality of life, while business depends on society for an environment wherein it can meet its obligation to create that wealth.¹⁰ Management education contributes to society through:

1. Creation of organizations that enable richer lives for participants.
2. Supply of essential products and services.
3. Creation of wealth and economic development opportunities.
4. Creation of jobs.

Management education contributes directly to society by facilitating economic development and service.

One of the special characteristics of humans is their ability to develop complex, purposeful organizations that enhance quality of life. Management education develops that characteristic and produces leaders capable of creating organizations that provide significant value to society. Such organizations create electricity, scientific instruments, transportation, food, cures for diseases, education, retail goods, entertainment, and almost everything else that enables civilization beyond a tribal level. Management education unquestionably prepares people to participate meaningfully in these organizations and gives them the tools to enhance their effectiveness.

In addition to individual and organizational contributions, management education makes other contributions to society—contributions that have a significant impact on communities. Management education has revitalized and bolstered economic development in communities by involving students, faculty, and other resources in resolving real-world problems. It is this form of societal development that best exemplifies the connection between management education, management



research, and society. For example, Michael Porter of Harvard Business School has conducted research on business opportunities of the inner city; and his activity has led to a nonprofit organization, the Initiative for a Competitive Inner City. Professor Porter's premise is that "No matter what amount of social intervention we engage in, whatever kind of philanthropy or charity there is, communities can't possibly be healthy unless the economy works."¹¹ Management education produces individuals and research that fuel the economic growth of communities.

As part of their business school experience, many students also work directly with individuals to implement local business projects. These projects often have significant societal benefit, especially since student collaboration and involvement extend to communities in many different parts of the world. Such projects are incredibly diverse. Helping to establish programs like daycare or eldercare centers that enable others to join the workforce is only one example. Through such initiatives, management education not only provides an educationally rewarding outlet for students but also endows and enriches communities. The management education experience creates leaders capable of inspiring greater benefit from the work of individuals and of developing organizations that are more effective at fulfilling their purposes. As a result, societies can achieve greater productivity and support human needs at a higher level.

Management education facilitates access to opportunity and wealth creation to an increasingly diverse population.

Over the course of the last hundred years, business has been a driving force in shaping society and a catalyst behind extraordinary economic growth and opportunity. Effective business management has spurred the creation of jobs, the generation of wealth, and the education of the masses. It has dismantled the idea that success comes only to those born into a certain class and facilitates the process of egalitarian wealth distribution by providing the tools of wealth creation to all.

AACSB International members are required to demonstrate a commitment to the diversity of their students, thereby providing greater opportunity for all, including traditionally economically disadvantaged groups. This increase in diversity not only enhances the learning environment but also ensures opportunity for a wider group of participants. In a recent survey of nearly 1,500 MBA alumni, it was found that those alumni created almost 100,000 jobs.¹²

In a recent survey of nearly 1,500 MBA alumni, it was found that those alumni created almost 100,000 jobs.

Summary and Recommendations

Management education provides the leadership and vision that continue to elevate individuals, organizations, and societies. Learning “the business of business” is clearly regarded around the world as a worthy and constructive endeavor, and this value continues to escalate.

The mission of AACSB International is to advance management education around the globe, and it is appropriate that our organization continue to work with members in articulating and expanding the value of management education. Not only must the management education community fully understand and harness these convictions, but we must ensure that value is understood and communicated to the constituencies served by all our stakeholders.

To advance these goals, the Value Proposition Task Force of the Board of Directors recommends:

1. Soliciting evidence and research that support the value propositions. Empirical research initiatives that articulate, measure, and assess the value of management education must be undertaken. Gathering and sharing ways that business schools believe they contribute value may also be a direct and helpful strategy.
2. Encouraging and assisting deans and faculty to be proactive in spreading the “value proposition of management education” in their localities and regions. AACSB staff may want to provide member schools with resources and promotional materials such as templates for written pieces and presentation outlines.
3. Creating new forums and leveraging existing venues for discussion of the outcomes and returns of a management education. AACSB conferences and other professional meetings offer venues for discussion of research on the value propositions. Alternative forums could involve faculty who are committed to the value of a management education and who are equipped to conduct and discuss the relevant research. Increased involvement of corporate members in discussing outcomes of value to those constituents could facilitate a stronger connection with corporate partners.

Management education transcends continents, races, languages, and traditions. The practice of management is a clarion for individuals who want to make an essential contribution to what may be the most impelling force for growth and greatness in our society. Enabling that commitment is a worthy purpose.

Footnotes

- ¹ Merritt, Jennifer with Hazelwood, Kate. (2003, September 22). What's an MBA Really Worth? *BusinessWeek* (electronic version).
- ² Philanthropy News Digest News (2005). Retrieved 4 August, 2005, from Philanthropy News Digest News Web site:
<http://fdncenter.org/pnd/tsunami/corporations.jhtml;jsessionid=5PVOCPGKI3Q3ZTQRSI4CGXD5AAAACI2F>
- ³ Merritt, Jennifer with Hazelwood, Kate, op. cit.
- ⁴ Access Economics PTY Limited (2005). Economic Value of University Business Education. Access Economics PTY Limited.
- ⁵ Cline, Thomas W. and Davis, Anthony. (2005, January/February). The ROI on the MBA. *BizEd*. 42–45.
- ⁶ Merritt, Jennifer with Hazelwood, Kate. (2003, September 22). What's an MBA Really Worth? *BusinessWeek* (electronic version).
- ⁷ Phillips, Susan M. (2003, November/December). How B-Schools Drive Productivity. *BizEd*. 54–55
- ⁸ Ibid
- ⁹ Arizona Small Business Development Centers (2005). Retrieved 4 August, 2005, from Maricopa Community Colleges Web site: <http://www.dist.maricopa.edu/sbdc/>
- ¹⁰ AACSB International (2004). CIME Task Force Report: Ethics Education in Business Schools.
- ¹¹ Mike Hoffman (2004). Q&A with Michael Porter. Retrieved 4 August, 2005, from Inc. Magazine Web site: http://pf.inc.com/magazine/20040501/inner100_qa.html
- ¹² Merritt, Jennifer with Hazelwood, Kate, op. cit.

Committee on Issues in Management Education

Chair

Richard E. Sorensen
Dean, Pamplin College of Business
Virginia Polytechnic Institute and State University

Members

Amelia Maurizio
Director, Education Alliances, Global Communications
SAP America, Inc.

Angel Cabrera
President, Thunderbird
The Garvin School of International Management

Robert B. Duncan
The Eli and Edyth L. Broad Dean
The Eli Broad College of Business
The Eli Broad Graduate School of Management
Michigan State University

Fred J. Evans
Dean, College of Business and Economics
California State University, Northridge

John Fernandes
President and Chief Executive Officer
AACSB International

Anne Graham
Executive Vice President and Chief Operating Officer
AACSB International

Stuart I. Greenbaum
Dean, Olin School of Business
Washington University in St. Louis

Yash P. Gupta
Dean, Marshall School of Business
University of Southern California

Daniel R. LeClair
Vice President and Chief Knowledge Officer
AACSB International

Patrick R. Liverpool
Dean, School of Management
Delaware State University

Patricia W. Meyers
Dean, School of Business Administration
University of Dayton

Neal Mero
Associate Vice President, Accreditation
and Development
AACSB International

Sung Joo Park
Dean, KAIST Graduate School of Management
Korea Advanced Institute of Science and Technology

Andrew J. Policano
Dean, Graduate School of Management
University of California-Irvine

Sharon J. Smoski
Assistant Vice President, Management Planning
and Information
State Farm Insurance Companies

Jerry Trapnell
Executive Vice President and
Chief Accreditation Officer
AACSB International

Stephen R. Watson
Principal, Henley Management College

Doyle Z. Williams
Dean, Sam M. Walton College of Business
University of Arkansas

AACSB INTERNATIONAL MISSION

AACSB International advances quality management education worldwide through accreditation and thought leadership.

About AACSB International

AACSB International – The Association to Advance Collegiate Schools of Business is a not-for-profit corporation of educational institutions, corporations, and other organizations devoted to the promotion and improvement of higher education in business administration and management.

Founded in 1916, AACSB International established the first set of accreditation standards for business schools in 1919. Through nearly eight decades, it has been the world leader in establishing and maintaining business school accreditation standards.

In addition to accrediting business schools worldwide, AACSB International is the business education community's professional development organization. Each year, the association conducts a wide array of conference and seminar programs for faculty and administrators at various locations around the world. The organization also engages in research and survey projects on topics specific to the field of management education, as well as maintaining relationships with disciplinary associations and other groups, interacting with the corporate community on a variety of projects and initiatives, and produces a variety of publications and special reports on trends and issues within management education.

AACSB International was founded by a consortium of 17 business schools, including Tuck Business School at Dartmouth College, Harvard University (Harvard Business School), the University of Pennsylvania (Wharton School) and Northwest University (Kellogg School of Management).

Notes

For more information about this report, contact:

Roxanna Strawn, Assistant Vice President, Communications: 1+ 813-769-6509. E-mail: roxanna@aacsb.edu or,
John Polis, Manager, Public Relations: 1+ 813-769-6516. E-mail: johnp@aacsb.edu.

