

THE RELEVANCE OF MBA HOLDERS IN THE EYES OF ORGANIZATIONS IN MALAYSIA

Muhamad Tariq Bin Ramli

BERJAYA University College of Hospitality Malaysia
muhamad.tariq@berjaya.edu.my

ABSTRACT

The popularity of MBA programme has been increasing over recent years. However, the demand from organization towards MBA holders claimed to be fluctuated within these few years caused by several reasons such as the quality of education and performance by the MBA holders as well as the perception from employers. A survey of 181 respondents from various organizations revealed that 82 percent employers will hire executives with MBA degree, while 18 percent of them stated otherwise. Demanding high salary was perceived as the main reason for employers of not hiring MBA holders. Meanwhile, the most preferred hiring criteria of MBA holders was the good leadership and management skills. Based on these findings, several recommendations were made to improve the MBA programme in Malaysia.

Keywords: *MBA, employer perception, education, performance, employment.*

INTRODUCTION

Background of the Study

The number of graduates of the Master in Business Administration (MBA), according to Kyle and Festervand (2005), had increased steadily from time to time and showed an inclined graph from 11% in 1971 to 25% in 2001. Global competition, merging, rapid growth of global economic caused the uphill demand for MBA graduates in this country. It can be assumed that MBA is the most prestigious professional qualification that prepares managerial level executives to face new multiple and challenging management tasks. Likewise, the acceptance of MBA graduates within the labour market has been increased as well. In fact, Tan (2003) revealed that a tremendous increase in popularity of MBA programme within Asia Pacific from the past decades. Problem solving skills by MBA holders is one of the reasons why company hired them other than proactive and self-motivated values (Neelankavil, 1994). By adapting the research by Tay (2001), entitled “*Management’s perception of MBA graduates in Malaysia*”, this research is aimed to test the current effects of the same studies in 2010 to 2012.

Research Questions

This study developed to test the statement and to find out the perception from the organizations in the market towards MBA holders within Malaysia.

- The current demand from organizations towards MBA holders in Malaysia.
- Finding out the reason of not hiring attitude towards MBA holders.
- Method of recruiting executives with MBA degree.
- Preferences of organization towards MBA holders.
- Employer sponsoring program towards MBA for their employees.
- The quality of MBA holders in the eyes of the employers.
- Analyzing the criteria for selecting MBA candidates for the senior executive level and above.
- Evaluating the working performance and skills over MBA holders from Malaysia.

Objectives of the Study

This study is conducted to know the overall perception of employers in Malaysia together with their hiring attitude towards MBA holders. Their impression and acceptance are important in order to predict either MBA holders do have opportunities becoming members in the organizations. Theoretically, it is believed that MBA may strengthen the performance of workers. The good perception of MBA graduates among employers nationwide will provide better chance for them to be recruited into the higher level of management positions (Luker et al., 1989; Carnall, 1992; Baruch & Peiperl, 2000).

Therefore, a study over executives and higher levels throughout organizations in Malaysia is crucial in order to understand the real demand from the organizations towards MBA graduates. On the hand, finding the existence of possibilities of not hiring attitude among the organizations is another aspect that shouldn't be took for granted. Some of the organizations might have employed MBA holders; however, the fulfilment of the expected criterions set by those organizations remains unclear. These uncertainties had created another research gap for this study.

Significance of the Study

By testing the real demand of the market towards the MBA graduates either from domestic universities or from the international prestigious colleges, can indirectly reveal the truth of their actual performance in bringing the business to success. Deriving the increase of market demand towards the MBA graduates may influence the demand MBA studies. If proven it is different in result, it may give a profitable signal towards the candidates not to invest in MBA degree.

Furthermore, based on the study within Malaysia, international readers may appreciate the findings from an Asian perspective as they may refer it as reliable study for reference. It may also trigger the local's educational institutions and universities to collaborate with business practitioners in finding better ways, providing training and generating new skills for MBA graduates in meeting the expectation of the market.

LITERATURE REVIEW

Starting from year 1997, the educational market in Malaysia has broadened, creating a massive increment in the number of educational institutions nationwide. Some says that education is now more towards money oriented programmes and lost its educational objective. According to Azizah, Sani and Faizuniah (2012), to achieve this objective of becoming a high income advance nation, Malaysia needs quality human capital among her graduates that comes with higher tangible rewards.

Referring to Useem and Karabel (1986), human capital that is gained through educational process also generates other types of capital, which are scholastic, social and cultural. Moreover it will generate better personality and create better individual.

However, regarding the human capital theory as posited by Becker (1993), centralizes on the accumulation of own capital that contributes to the higher productivity and efficiency of an individual. Synergize personnel will also bring better outcome for the organization specifically and the entire nation as a whole.

Underlined by Ballout (2007), there are three well known approaches to career success; the individual, structural, and behavioural perspectives. When a person can create better personal understanding about themselves, they may also structure better life and enhance better behaviour that surely will bring benefit to the organization in a long run process, eventually. There are relationships between human capital variables and career success supported in the previous studies (Kirchmeyer, 1998; Ng et al., 2005).

Using professional certificate such as MBA in getting higher position together with increase in income would enhance the perception of a successful career. It will also generate better motivation to success for a person and the entire organization (Azizah, Sani & Faizuniah, 2012).

As suggested by Preffer and Fong (2002), business school has become a great business entity in this respect and MBA does help in the development of the managers. Most of them aspired to be a director for large and successful companies. From the study, they found out that most of the businesses do have proportionally more directors as MBA holders compared to smaller companies. The study also revealed that most of the MBA holders in the company are women. Nearly 20 per cent of the female directors are MBA holders.

Zhao et al. (2006), with the survey of MBA graduates from 1996 and 2002 found that the alumni members felt that MBA holders have better chances and improvement on their employment, income, promotions and job performance as well as satisfaction. The study showed that 18 per cent of them are employed at the top executive level in their respective organizations.

According Carpenter (1997), the salary from completing MBA degree actually depend on how much a MBA holder earned on the starting point of his salary where those with higher starting salary were more likely to remain in the institutions longer than those with lower starting salary. Carpenter (1997) also suggested to MBA degree holders to find job opportunities in 'blue chip' consulting firms and investment bank as a starting point to begin their career.

Meanwhile, according to Baruch, et al. (2005), inner-value capital or knowing-why comprises internal competencies or self-concepts such as self-awareness, efficacy, esteem, and confidence and many of business school indeed trained their students to react towards all these. Friga et al. (2003) urged the Malaysian business school leaders to take serious consideration on their institutions' existing structure and ability to change. They also suggested that these institutions of higher learning could adapt the strategic options in the future business environment to develop courses such as MBA.

Another research by Pimpa (2008) revealed that universities, colleges and institutions of higher learning playing their roles in fulfilling the demands of markets towards MBA graduates by preparing them with required skills in their curriculum; not only in academics but also in the skills and experiences.

MBA graduates believed to give better image in senior role and no more facilitates the junior role anymore, the MBA graduates from top business schools are expected to project the executive suite and successful progression through MBA programme thus marks a change of status (Kelan & Jones, 2009; Hill, 2003, 2007). The question arises usually when MBA graduates don't really achieve as what has been expected by the management in their workplace.

On the other hand, Hay and Hodgkinson (2006) explored that the main objective of MBA holders is to gain faster success in career in term of position as well as income. Better position is believed to be more likely in enhancing the advancement earlier but there is difficulty to define whether MBA degree is directly correlated to higher salaries, to attain better position or for learning and development. MBA students are generally thought to have realistic self-concepts and some career directions.

According to Martin and Stains (1994), education, personal attributes as well as managerial and technical competencies would also bring the same kind of impact. Together, they will generate better personnel to be hired by the organization and bringing in much more positive outcomes for the entire business and organization.

Collmen et al. (2003) found that MBA degree create an '*old boys*' network and may generate better chances in improving life and creating successful future. They also suggested anyone to get the MBA degree if they can afford it as it is not so difficult to learn in the MBA course while they already starting to learn it. They were confident that the reason of why many employers believe that MBA degree holders are valuable as they have the ability to solve business problems and generate profit for the company.

On the contrary, some believed that MBA degree holders unable to compete in the business world. Those individuals somehow also believed that MBA course does provide knowledge but not experience thus failed in equipping the students to compete well and serve the organization and lead them into success. In actual fact, their understanding makes sense if the students only fed by theory without any practical instead. But, nowadays most of the schools either offer work experience for the students to taste the real working world or hiring the field experts as a way to focus more on practice rather than totally teach them theoretically. Employers are now well aware with the real value of MBA graduates. The same goes with the facts that most of the market bigger players hire only small percentage of MBA holders as they believe MBA degree neither guarantee one's competency nor productivity than those studied business book by themselves. Only MBA received from

prestigious schools and universities all over the world will create better chances for the company to hire them and lead the business into successful future.

According to the research by Muraly et al. (2012), executives may successfully lead a division and department of his company into the whole profitable new ventures after obtaining MBA degree with at least a few years of working experiences. MBA holders may be able to learn from their seniors especially their supervisors whom are far more experience than them. The ability to work in teams, sharing and comparing viewpoints is going to be one of the greatest benefits might be taken into the workplace and employers will appreciate that.

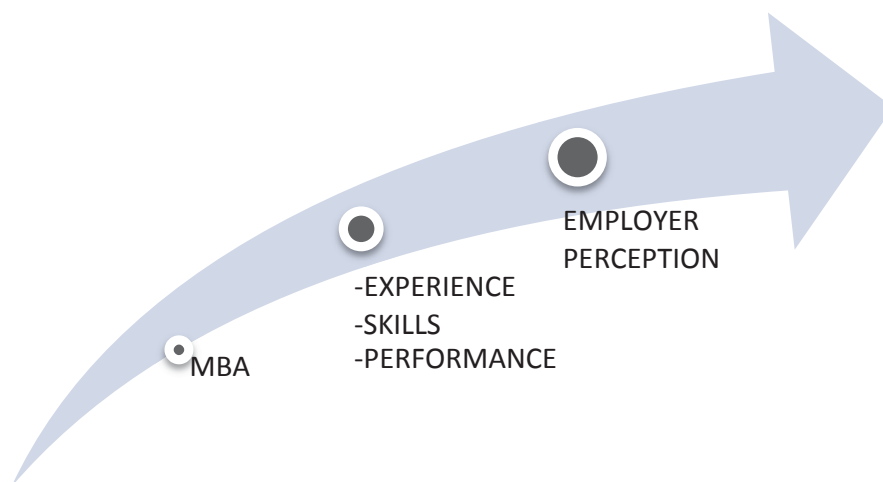
RESEARCH METHODOLOGY

Secondary sources of information gained from local and international journals. As primary sources, more than 300 sets of questionnaires distributed to more than 30 organizations from various industries all over Malaysia as self-administered questionnaires. More than half being sent to organizations located within Klang Valley area which considered as the highest in concentration of employees in the country.

Research Instruments

A six-page survey form is designed and adapted from Angeline (2001). There are four (4) sections in the questionnaires with the first one labelled as Section A that will identify the demographic part of respondents and the number of organizations with MBA holders employed within the organization. Section B used to identify the reasons of not hiring together with methods used to recruit executives with MBA degree whiles Section C includes the preference of organizations towards MBA holders and also the sponsoring scheme by the employers to encourage their executives doing MBA programmes. The final section is Section D is used to identify the criteria for hiring executives with MBA degree.

Proposed Theoretical / Conceptual Framework



Sampling Procedure

This study used the convenience sampling method to get respondents from 30 organizations all over Malaysia. The selection of the organizations will be based on the assessment of their intention to have MBA graduates within their organizations. Questionnaires sent to more than 300 personnel in various industries nationwide such as consultancy, banking, trading, information technology, telecommunication, construction, investment and education as well as government bodies.

The respondents must fulfilled the criteria of executives level and above verified by Human Resource Department as well as any related positions that involved in interviewing candidates for the executives level and above for their own organization and very well familiar with interviewing and recruiting process as well as selecting new staffs especially for professional positions.

Data Collection

Primary data of the study gained from the survey adapted from the previous study of Angeline (2001). Minor editing was made before the final questionnaires being distributed to 300 personnel from almost 30 various organizations nationwide. Most of the questionnaires were distributed by post to representatives from each department/organization. These were followed by email and also phone calls. By the end of April 2013, 60.3% had responded and a total of 181 were usable for analysis.

Data Analysis

SPSS (Statistical Package for Social Programme) was used to summarize data obtained from the entire survey. For the demographic characteristics of respondents, the frequency distribution been used. Standard deviations and mean scores used to determine the respondent's perception on matters raised in the survey.

RESEARCH FINDINGS

Response from the survey has been qualitatively interpreted and discussed subsequently based on sub topics.

Table 1: Mean Score of Perception of Reasons for Not Hiring

Reason for not hiring	N	Mean
MBA graduates lack of skills	178	4.8371
Internal policy to only promoting internal staff for Important position	179	4.8547
MBA too proud to learn new skills from management	179	4.9050
Lack relevant working experience	179	4.9609
Demand high salary	179	5.3743
Valid N (list wise)	178	

Mean scores of MBA graduates demanding high salaries is the highest with the scores of 5.3743 and being on top of the reason for not hiring them in the eyes of employers in Malaysia. This might have happened because of the cost of obtaining MBA itself. The result is in line with Bulet's (2009) findings that there are some overpriced figures mentioned when it comes to counting the cost of an MBA degree. Total cost of some of the world best business schools may raise towards more than million dollars when it comes to interest as well as the tenure of the study loans made. Thus, it will increase the monthly debt need to be paid by the MBA holders. To overcome the debt, they tend to demand bigger amount of salary.

Followed by lack of relevant working experience with the scores of 4.9609 and it shows the slight connection between those two as the perception of paying high salaries for the candidates whom cannot perform well may become a liability for the business itself especially for those MBA holders that just freshly graduated. To avoid this kind of perception, the result from the study by Datar et al. (2011) recommended that business schools need to reassess the facts, frameworks, and theories that they teach. In the meantime, they also need to rebalance their curricula to focus more on developing skills, capabilities, and techniques as well as cultivating values, attitudes, and beliefs.

Some of the MBA holders also felt too proud and reluctant to learn new skills from their supervisors. They perceived they deserved to get better incentives and holding important positions in the organization (Datar et al., 2011). This might be caused by the training they received during the MBA course itself that directly enhanced them to learn better knowledge in understanding the entire market and winning the competition to become a good leader for the organization.

Some of the organizations on the other hand have their own policy of only promoting internal staff for important positions as a way to motivate them to perform and contribute well to the organization. Eddleston et al. (2004) found that most the employers in his study tend to compensate and promote their existing staff because it is easier for them to measure the career success of the specific personnel and better understanding among other members in their hierarchical levels and responsibilities.

Lack of skills holds the lowest mean score of 4.8371. Employers to some extent, expect MBA graduates demonstrate their own skills that may benefit the organization if being hired. This finding supports Holder's (2007) study that bigger portion of acceptance of MBA holders into the labour markets within last few decades and it strengthen the idea of positive perceptions by business world towards the MBA Holders. Many articles showed an increase percentage of hiring managers with MBA Degree each and every year.

Preferences

Preference of employers towards school

From the scale of one to three given in the survey, 181 respondents revealed that employer preference focus more towards those MBA graduates from local public universities with generated mean score of 2.4469 as compared to MBA graduates from foreign universities/schools with slightly lower mean score of 2.4213.

The study showed that MBA graduates from local private universities were the least preferred from the list with mean score of 2.2570.

Dexter (2002), found out that the fact of biggest player in the market only hired MBA holders if they believe that they are qualified enough and their qualifications preferable received from prestigious schools and universities. They believed these criteria will provide better chances for the company gaining better lead into brighter future.

The Economist (1994), supported the study made by Pfeffer and Fong's (2002), which claimed that the prestige of the institution they attended will give them benefits. The article suggested the MBA graduates must have their degree with the institution that has highest academic reputation such as measured by number of research citation. However they also suggested young generation to have a good MBA from the institutions and schools that offer them skills and practice as academics alone may seem not enough for them in order to provide a competitive edge to labour market.

Many other studies also identified that the personality may give impact towards the success of a firm. Educations and experiences in business and real working environment (Ahmed, 1997) together with motivations, skills and level of knowledge (Hankinson, 2000) are some of the contributively factors. Also stated by Martin and Stains (1994), education, personal attributes as well as managerial and technical competences would also bring the same kind of impact.

Table 2: Mean Score of Criteria for Hiring Executives with MBA Degree.

	N	Mean
graduates who do not demand starting salaries	180	3.6056
reputation of local school	180	3.6778
reputation of foreign school	178	3.6854
graduates who understand local and Asian business cultures	180	3.8833
graduates who understand global business cultures	180	3.9444
graduates who are competent in financial analysis	180	4.0056
graduates equipped to take heavy responsibilities	180	4.0722
graduates who have knowledge of current business trends	180	4.1167
graduates who have high creativity and innovative skills	180	4.2111
graduates who have good interpersonal skills	180	4.3000
graduates who can communicate well in English	180	4.3056
graduates who have good analytical and critical thinking skills	180	4.3389
graduates who have good leadership and management skills	180	4.3389
graduates who are able to work as a team	180	4.3444
graduates who have good work ethics	180	4.3833
Valid N (listwise)	178	

This table provides the list of criteria of organizations in hiring MBA graduates. Respondents gave their opinions based on attributes that considered as important (using Likert Scale 1 to 5) towards hiring MBA holders. As a result from the study of 181 respondents, the top mean score of 4.3833 highlighted the need for MBA graduates to have good work ethics as a way to mix well with other members of the organization and perform

well in the task given. Good work ethics also referred as moral benefit that may enhance personal character. MBA graduates with good ethics must know how to be reliable, responsible for the decision made, getting initiative as well as pursuing new skills not only for themselves but also the entire organization as a whole. It is important for a candidate especially MBA graduate to be able to communicate well within the organization. He or she must know how to give and gain respects as they are the expectation set by the organization.

Second highest mean score in the table is 4.3444. It showed that respondents perceived of MBA graduates were able to work as a good team player in the organization. MBA graduates often given an important role as subordinates by employers, thus they need to have good leadership and management skills to bring his/her team into success. They need to have good analytical thinking skills too.

The other criteria for hiring executives with MBA degree with mean scores of 4.0 and above are the employers' expectation of MBA holders who can communicate well in English in their organization (4.3056), having good interpersonal skills (4.3000), having high creativity and innovative skills (4.2111), good knowledge and understanding of current business trends (4.1167), well equipped to take heavy responsibilities in bringing the business to success (4.0722), and competent in financial analysis (4.0056) which may bring the good decision and really know financial effects in and out.

The other variables, as noted in the table viewed as employers' perception towards MBA holders that they must really understand the global business cultures to cater larger market. The understanding of local and Asian cultures also perceived as important as both variables contributed 3.9444 and 3.8833 in mean scores respectively. However, reputation of local or foreign schools and graduates who do not demanding high salaries were variables perceived at neutral with the mean scores slightly higher than 3.6. Perhaps for this group of employers, MBA does not mean much for them in their effort of recruitment.

CONCLUSION & RECOMMENDATION

MBA degree programmes are designed to give knowledge, skills and confidence needed to be considered for filling the senior management and executive positions. In fact, many organizations will not even consider giving these positions to applicants who do not hold an MBA degree. What has been learned and honed during MBA courses will also help one to succeed as an entrepreneur, in creating own market and business. In another word, one graduated with MBA degree, will have wider employment opportunities.

Results from this study showed that employers in Malaysia do recognise the contribution of MBA holders in bringing their organization towards achieving their goals. However, they also showed their doubts of hiring MBA holders with high demand of salaries as the most dominant reason. Besides, fresh MBA graduates are perceived lack of working experience and reluctant to learn of new skills acquired to their work nature. With strict recruitment policy, many Malaysian employers tend to avoid of hiring MBA holders.

On the hand, the Malaysian employers showed their interests of hiring MBA holders with notable skills such as leadership and management skills, analytical and critical thinking skills, communication and interpersonal skills, and creativity and innovative skills.

Furthermore, MBA holders with sufficient knowledge and understanding of both local and global business trends and cultures will be an added value in their selection criterions.

Therefore, each MBA programme should aim to develop knowledge and skills in leaderships, management, analytical and critical thinking, communication, creativity and innovative. The core subjects in MBA programme should focus on the development of fundamental knowledge of each discipline. Meanwhile, the elective subjects should serve as the supportive of the core subjects. These subjects are aimed to strengthen the aspects of language, thinking and communication skills. Management project will be another good platform allowing learners to concentrate more on the practical skills according to their interests and career requirements.

It is best for the academician and practitioners working together, upholding similar goals, to develop MBA programme that equipped with necessary behavioural and work-related skills. This is essential to ensure the MBA graduates meet the demands and employment criteria from the labour market.

REFERENCES

- Ahmed, N. (1997). Demographic and financial characteristics of small business owners. *Journal of the American Society of CLU & ChFC*, 51(3), pp. 74-8
- Ayesha. (2010). Perceived effects of MBA Degree on skills development and career advancement: The case of Pakistan. *International Journal of Business and Management*, 207-215.
- Azizah Daut, Sany Sanuri, Faizuniah Pangil. (2012). The Influence of educational factor capital on the tangible career outcomes of MBA graduates. *International Journal of Business and Management Studies*, Vol. 4, No 1, pp 31-43.
- Ballout, H. I. (2007). The effects of human capital, person-environment fit and organizational support. *Journal of Managerial Psychology*, Vol. 22, No. 8, pp.741-765.
- Baruch, Y., Bell, M. P. and Gray, D. (2005). Generalist and specialist graduate business degrees: tangible and intangible value. *Journal of Vocational Behavior*, Vol. 67, No.1, pp. 51-68.
- Carpenter, R., (1997). What's an MBA worth? *Canadian Business*, Vol. 70, Issue 14, 31/10/97.
- Cocchiara, F. K., Kwesiga, E., Bell, M. P., and Baruch, Y. (2010). Influences on perceived career success: findings from US graduate business degree alumni. *Career Development International*, Vol. 15, No.1, pp. 39-58.
- Connolly, M.,(2003). The end of the MBA as we know it? *Academy Of Management Learning & Education*, Dec 2003, Vol. 2, Issue 4.

- Dreher, G., and Ryan, K. (2002). "Evaluating MBA-Program admissions criteria: The relationship between pre-MBA work experience and post-MBA career outcomes". *Research in Higher Education*, Vol. 43, No. 6, Dec 2002.
- Eddleston, K. A., Baldrige, D. C., and Veiga, J. F. (2004). Toward modeling the predictors of managerial career success: Does gender matter? *Journal of Managerial Psychology*, Vol. 19, No. 4, pp. 360-385.
- Ehrenberg, R. G. (2002). Reaching for the brass ring: The U.S News & World Report ranking and competition. *Review of Higher Education*, Vol. 26, No. 2, pp. 145-162.
- Gill A., Lashine S. (2003). Business Education: a strategic market-oriented focus. *International Journal of Educational Management*, Vol. 17, No.5, pp188-194.
- Hankinson, A. (2000). The key factors in the profiles of small firm owner-managers that influence business performance. *The South Coast Small Firms Survey, 1997-2000*.
- Hay, A., & Hodgkinson, M. (2006). Exploring MBA career success. *Career Development International*, 11(2), pp. 108-124.
- Holder, B. (2007). An investigation of hope, academics, environment, and motivation as predictors of persistence in higher education online programs. *Internet and Higher Education*, 10(4), 245-260.
- Kelan, E., & Jones, R.,D. (2009). Reinventing the MBA as a rite of passage for a boundary less era. *Career Development International*, 14 (6), pp.547-569.
- Kirchmeyer C. (1998). Determinants of managerial career success: Evidence and explanation of male/female differences. *Journal of Management*, Vol. 24, No. 6, pp. 673-692.
- Kyle, R., & Festervand, T.A. (2005). An update of the high-tech MBA. *The Journal of Education for Business*, 80(4), 240-244.
- Martin, G., and Stains, H. (1994). Managerial competences in small firms. *The Journal of Management Development*, Vol. 13 No. 7, pp. 23-34.
- Merritt, J. and Hazelwood, K. (2003). What's an MBA really worth? *Business Week Issue* 3850, 22/9/2003
- Nabi G. R. (1999). An investigation into the differential profile of predictors of objective and subjective career success. *Career Development International*, Vol. 4/4, p. 212-224.
- Pfeffer, J. and Fong, C.T., (2002). The end of business schools? Less success than meets the eye. *Academy of Management Learning & Education*, Sept 2002, Vol. 1, Issue 1.
- Pimpa, N. (2008). Transnational MBA programmes in Thailand. *International Journal of Management in Education*, 2(4), pp. 401 – 418.

- Srikant M. Datar, David A. Garvin, Patrick G. Cullen. (2011). Rethinking the MBA: Business education at a crossroads. *Journal of Management Development*, Vol. 30(5), pp.451 – 462.
- Tan, S. (2003). Tough going: Exiting class finds a tight job market but MBA demand is still growing. *Asia Inc. MBA*, 23-25.
- Useem, M. and Karabel, J. (1986). Pathways to top corporate management. *American Sociological Review*, Vol. 51, No. 2, pp. 184-200.
- Wellman, M., Gowan, M. A., and White, S. C. (2006). MBA degree and school tier as human capital: Comparative study of MBA and non-MBA career success. *Academy of Management Learning and Education*, Vol. 2, No. 3, pp 233-49.
- Zhao, J. J., Truell, A.D., Allen, Alexander, M.W., Hill, I.B., (2006). Less success than meets the eye? The impact of Master of Buisness Administration education on graduates' careers. *The Journal of Education for Business*, Vol. 81, Number 5, May 2006.