

The Growing Competition

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I would like to thank the organizers for insisting on having a face-to-face conference. This is a real pleasure.

I am delighted to speak on the topic of growing competition. When I was given this topic, I wondered what competition I should talk about. Who should we look at? I remember one of my first teaching experiences at IMD. It was a big summer program. Derek came and listened to my session. We talked about competition in that session and he challenged me a little bit. I was given the opportunity to define competition. I defined it as follows: "Anybody who screws with the algorithm that is already sitting in your customers' head is competing with you". Your customers do not think about competition in the way that we think about it. They have a choice in their minds. Anything that anyone does that changes the right order of the available choices that you immediately think of, or changes the way of things, or introduces a new player - that's your competition.

There was a little car company that sold 10,000 cars annually, which was nothing in the grand scheme of things. But the effect of this was to train millions of people in how to shop for cars. Therefore, this absolutely changed the parameters that those car companies that sell millions of cars a year had to address in order to be successful. That slightly successful little company increased the cost of the majors significantly through its entry into the market.

So, when we think about competition, there is a natural tendency to go to the one that is eating our cake. Who has taken a slice of my cake today? Why didn't the participants show up in my room? Why are they in somebody else's room? That somebody is my competitor. That is a very easy and casual way to think about competition. We have to think much longer term. We have to identify the major underlying forces, how the market views that opportunity, and where the customers would go for solutions. Today, I am going to make a case. Our competition is not the famous companies. Is it companies that are rising and we have never heard of before? They do not take the same form as ours. They use technology in a different way. They think of programs in a different way. Their cost structure is completely different. I think that is what I was asked to talk about.

I will give you the punchline first. I do not think that our competition is those companies. I think that it is traditional business schools that will adopt new modalities and will reach our students in every part of the world. Students will be thinking "Should I show up for school today in Brussels and earn a degree from the university there? Or should I go online and, over a longer period, earn a degree from Kellogg, Wharton, or Case Western?" It is hard to imagine them offering degrees online and those degrees having credibility. But I assure you that that day will come. Then, I think we will have some real competition. We have a period between now and then to do something about that. If we spend all our time wor-

rying about the startups, which are very successful, we will be missing what I consider the real competition.

Let me first of all look at the general state of the market. Look at those who take GMAT exams. It is a proxy for all management education: graduate education and further degrees. It is not for MBAs only. It is for all masters, including doctors, but not for undergrads. So, this is simply a proxy. What is young people's interest in management education? In 2016-2019, the drop was significant. In 2020, we had a real challenge. A lot was written about the decline of MBA enrollments. We wondered if that was due to cannibalization by the Master in Management programs. Well, it does not seem so. Certainly, the Business Master has risen in popularity and actually it is much more popular in Europe than it is in the United States. John Byrne is the person who has his finger on the pulse of this industry perhaps more than any of us. In late 2020, he noted that applications to business schools were soaring again.

From 2017 to 2020, we see what we saw on the overall test-taking: a drop that goes on until 2020, followed by a bounce-back in early 2021. Anecdotally, we can say that since then the bounce-back has been even stronger. I do not think that management education has gone away and I would argue that it had better not go away because there are some very significant things that we need to get done.

Where could competition come from? I would like to focus on the great interest in diplomas and certificates, including Master degrees that take a year or two, not MBAs. Digital badges, programs that are run as part of a required continuing professional development, and executive MBAs are in that category, too, although they are not leading the pack by any means. There is great interest in additional qualification credentials and being able to demonstrate what one is capable of. Credentials are important.

Derek mentioned careers. In the days that our universities were formed and MBAs became a big deal, and we all followed the US model, there was reasonable tenure of employment. I am not sure it was life-long but it was reasonably long. There was a lot of social capital in the companies back then. I think those days are gone. I do not think that there can be employment for ever. For that reason, credentials are very important. To spend five years anywhere and not acquire any credentials is probably pretty negligent of anybody these days. You need to get new skills and be on top of the current developments in your field. I see this as important.

We see some pretty important trends. The job market is very competitive. We see credential acquisition as part of the solution for individuals. We need more flexibility. We saw more of that during the COVID period. There is considerable interest in online learning on the part of women. There is also a significant number of people who do not want to be too far away from home. They do not want to find themselves in a place from which they cannot return home for 18 months. These are new things that we need to bring into our mindset.

We should also take a moment to realize that we are doing pretty well. Satisfaction with graduate management education is pretty high. Seventy percent of alumni rate their education as outstanding. I do not think that alumni are the least critical people in the world. So, I think it is a very good achievement to have 70 percent of alumni say that their graduate management education was outstanding and 87 percent who say that their employability has improved, whereas 79 percent stated that their earning power increased, and 77 percent believed that they were prepared for leadership positions. Apparently, the investment is worthwhile according to our customers.

In what context should we think about the future? There is a lot going on in the world: climate change, inequality, racism, COVID, all the things that are going to arise because of the new ways of working, the new social contracts, new taxation regimes, etc. All manner of things is going to happen that we have not talked through and internalized. The tension between autocratic and liberal regimes will go on and digitalization will continue to be a major underlying trend in our society. The sustainability development goals are central in most corporations. Those that I come in contact with are very concerned about them. After a tough period in the economy, there is without doubt a level of optimism. I am not sure it is fully justified but you have not seen such optimism in a very long time. There is hope for growth in both developed and emerging economies. People are going to be responsible for that growth but they have to do it in a way that recognizes the

realities: the challenges, the changing world. I think that managers are going to be much more accountable for their actions than before.

So, what should we be thinking of in terms of our responsibility? None of us chose this profession to get rich. It involves a responsibility: to prepare people for their careers and their future. We have a very serious covenant and we should be very mindful of these challenges when we are designing our programs.

Business leaders will need to be increasingly courageous, have a great sense of urgency, and a far better perspective than what we have seen in a long time. We have started to use the expression “reflective leaders”. Those are leaders who think more and create space and time to consider everything that is going on in the world and the impact of their likely actions. We want them to take responsibility. We want them to be willing to engage with politicians and society. They should be willing to play their part in driving the global agenda. We must not think of ourselves as somehow detached educators. We are part and parcel of our future. At IMD, we have committed ourselves to develop leaders who challenge what is and inspire what could be by transforming organizations and contributing to society. We are very serious about that purpose.

Lots of people are looking at the future of work. McKinsey Global Institute talks about a labor market that is going to be more automated, digital, and dynamic. Citizens will benefit from having a set of foundational skills that will help them fulfill three criteria, no matter what sector they are operating in: add value beyond what can be done by automated systems, operate in a digital environment, and continually adapt so as to be able to work in new occupations. They have identified four domains: cognitive, interpersonal, self-leadership, and digital. This is not the standard management curriculum. That is an important point that I want to make. We do some of this. Some of us do more of it than others. But for our leaders to be really fit for purpose in the world that I see emerging we need to pay a lot more attention to these domains. This tunes into some of the topics that the panelists of this morning talked about.

Employers say they need digitalization, cyber security, data science, blockchain, etc. They also mention empathy, creativity, ability to lead through a crisis, and versatility. In addition to having MBA skills, executives should be strategic thinkers, communicators, versatile, capable of taking leadership, etc.

Despite the fact that graduates are more than happy with what they are getting, 75 percent of global employers are saying that the MBA needs reinvention. I think that something very interesting is going on here. This is short-term versus long-term. We have a more long-term perspective, whereas employers have a more short-term perspective. They want somebody that they can deploy to address a specific technology problem today. “You do not know anything about blockchain? Then I cannot put you on that think tank on the use of blockchain in our supply.” True. But this is not our job. This is their job. We have to resolve which of these we should do with confidence and which we should not try to do.

What are the implications for business graduates? They need to be aware that employers believe in life-long learning. That requires a high level of education and micro-credentials. In other words, you are not done after your MBA or your Master in Management. These are not terminal educational qualifications. The world is moving too fast and there is too much available. You are expected to continue to learn for a long time. Companies estimate that on average 40 percent of workers will require reskilling within six months or less, and 45 percent of employers expect employees to pick up new skills on the job. That is a huge increase since the last time that question was asked. And lots of providers are responding. The market place of choice and availability has never been greater. MOOCs are remarkable. I am going to smile all the way through this because I think these are good developments, not bad ones. I do not see them as threats but as stimulants in the market place. You can do a degree at Coursera and you pay a lot less than at any institution. You also get fantastic professors from fantastic schools. Depending on the particular course, you may or may not see a professor and interact live as a lot of these are just recordings. Many of these developments happened in 2015-2017. That was the time when there was a big jump in the engagement in this area.

There is something else that is related to what we just saw, but it is much more specific in the business community: micro-credentialing. At IMD for example, we have a diploma in digital excellence. That means that you can get credentials in

the digital space but you have to do a number of individual courses to get there. You can pick from a list of courses, after which you do an exam. You can do some of these in person or online. If it is online, it is mentored. You interact with a coach. Eventually, you take an exam and, if you pass it, you get a valued diploma. It is not a degree but it is a credential. In the same way, Salesforce is offering micro-credentials - thousands of them - in the area that they are very concerned about - various online activities. Google and Microsoft do exactly the same: they provide lots of micro-credentials some of which accumulate and can at some point become a Master credential. EY offers employees an Master credential in collaboration with Hult University. It is economically attractive. Although designed mainly for their own employees, it is open to others and it provides a good credential in business. An MBA from EY and Hult is beginning to be recognizable.

The market for micro-credentials is huge. Tens of thousands of people, and hundreds of thousands in some cases, are taking these courses. Yet, we are at a very early stage of the development of this market. It will become more mature and better. I think this is the space to watch.

You can earn an MBA at Quantic. You will have some of the best professors from around the world. It is application-based. You never meet any of the professors and never interact with them. It is all recorded. Jolt and ThePowerMBA are also MBA providers. But Quantic is interesting because the founder of EF Education and the founder of Rosetta Stone have come together and merged their great credentials and experiences, as well as capital, into a space where they see fantastic opportunity. And the market is growing.

I should also mention Hyper Island and Mini MBA. This is an interesting one. There were some 10,000 applications and registrations last year. It costs a little less than 2,000 British pounds to take this program. Most of those who take it are marketing people. As far as I can see from the profiles of the people who are doing this course, you would probably never see them in a business school. These are not our classic participants.

The total effect of all of this is to wake up those people who have not been involved in management education. These courses are more attractive and more accessible. They are different modalities. The providers are bringing them into the market at an affordable price and are disrupting the market in that way. But that is a bit like flushing pheasants in the field before somebody shoots them. Now the question is who is going to benefit from this. These new providers will be the immediate beneficiaries, having woken up those people. But in the longer term this will whet the appetite of people who did not know that they were interested in management education. I think that this is a very plausible scenario we should consider. And then we should ask ourselves who is going to step in. We must not forget that we are not the only ones who are interested in life-long learning. Companies like McKinsey, Mobius, and Egon Zehnder are very well placed. These are top-class influential institutions with fantastic reach. They can be serious competition but not for degree programs.

Is this a Kodak moment for us? The Kodak moment is the moment when you realize that customer behavior and preferences changed so dramatically from your assumptions that it is too late to change. Kodak did not wake up and did not take action. As a result, it lost everything. Are we in the same situation? I do not think we are there yet. I think that, for all of us who are willing to adapt, the ongoing changes provide a fantastic opportunity. We do something specific in a particular way. Now we have to ask ourselves "how", not "what". I see that most schools are adapting their content, so the "what" part is being addressed. We see more and more well-established universities deciding to enter online education and offer their degrees fully online and at very different prices. Berkeley Haas has entered the market with a price that is pretty much the same as their on-campus education. Let us see how well they will do. A very exciting entrant is of course ESMT Berlin, and they are much cheaper.

Some of those universities and business schools have fantastic amounts of capital and development resources available for just this. Some of them are also extremely well-known brands. If they start offering an MBA fully online, you would never have to go there. So, I do not know if they ever would. But we should be asking ourselves if we are ready to compete with them. I think that is the bogeyman outside the room that we need to be more worried about than some of the application-based solutions that we have seen.

Some concluding thoughts. Learning and urge to better oneself have not gone out of fashion. The opportunity for business education is huge and is growing. Content and modality will need to evolve to adapt to employee and customer requirements. We should all be well equipped with, and well-practiced in, the latest technologies to make some bold choices regarding micro-credentialing and stacking. Imagine a world in which the highest-ranked programs enter online education with much lower cost. Big brands with high acceptance and trust are highly desirable. Will we be fit to compete with them?

This morning, Derek talked about inertia and all the barriers to change. I spend about half of my time working on change management. After many years, I have concluded that change does not happen unless some conditions are met. You should have pain, or fear, or ambition. Without one of those three, you will not move. Ambition is the one that we would like to aspire to. It is absolutely the hardest to access and mobilize people around. But if you can do it, it is by far the most powerful. Unfortunately, it is pain that most often gets people moving. The problem is that it makes them move too late, at a time when they have lost resources and talent, and may no longer be able to respond adequately. So just ask yourselves whether you have pain, fear, or ambition as you try to define the new competition.