Do Business Schools Really Fulfill Industry Requirements?
An Investigation of Industrial Performance of Business Graduates

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Abstract: This paper focuses on evaluating industrial performance of business graduates on the basis of four performance dimensions namely knowledge, skills, abilities, personality through their attributes. It also uncovers the gap between performances standards desired by managers and the actual ones exhibited by the business graduates. Questionnaire was served to managers from different industries to get their views about various performance dimensions and their factors. Subsequently, they were asked to evaluate the actual performance of their employees by rating them over 5 points Likert scale. This evaluation is then used to identify the gap in desired and the exhibited performance. It has been found that managers consider knowledge as the most important dimension while conscientiousness as the most significant factor for performance. However, most of the business graduates are not meeting the industry requirements proving a significant gap between desired and actual performance of business graduates. The results provide a sufficiently strong base line for business schools management to review their existing working style and improve the same by implementing high quality education measures in order to ensure that the business institutions provide highly skilled and intellectual professionals to the industry. This is one of the pioneer papers which compares the employers perceived performance of employees viz a viz their actual on the ground exhibited performance.

Key words: Business Schools • Education • Graduates • Performance • Industry • Knowledge • Skills • Abilities • Personality • Pakistan

INTRODUCTION

Education is one of the most important elements for development of any country. Societies develop and grow on the basis of education and learning. Modern societies and economies are based on education which provides base for successful management of country affairs including economy or to be more precise, the Knowledge Based Economy. All the fields of education, say Engineering, Information Technology, Religion, Business etc. are broadening their respective scope being widely research based and also because these have long term vital affect on the society as a whole. Business education focuses on learning business techniques, theories as well as processes of business and makes significant contribution in economic development making it as foundation for successful survival of any country. It thus, explains and makes us understand of how business operations work, what is the importance and how to make viable solutions to the issues of products and their marketing, managing issues of work force etc.

The purpose of this paper is to understand if business schools (public and private sector) are really able to meet the requirements of industry? At the same time analyzing the performance of business graduates and finding the level that they are able to meet the requirements of the industry.

Pakistan got independence from the British colonial rule in 1947 and got only one public sector university, “The Punjab University”. With large investments from private sector, this single number increased to 20 large public sector universities in next 30 years, [1]. Prior to the introduction of private sector investment in education,
these public universities were solely responsible to provide higher education and different colleges were affiliated with these universities to provide intermediate and bachelor education which they are still providing and universities continue to ensure quality education at respective levels. The Agha Khan University, Karachi got its charter and became the first private charter university in 1983, followed by Lahore University of Management Sciences (LUMS) in 1985, [2]. A continuous growth in establishment of new public as well as private sector universities was seen with passage of time. At the same time, some colleges were also converted into universities to fill in the gap of higher education institutions. There are 83 public sector and 65 from private sector out of a total of 148 degree awarding institutions in Pakistan. But, unfortunately, there is not a single Pakistan based university amongst the top 100 universities of the world. Lack of quality of skills and research output of the sector are the main reasons for it. It thus warrants a dire need of comprehensive quality assurance mechanism in higher education institutions of Pakistan to improve output quality and learning system, [3]. However, improving quality of education in a highly complex educational system as that of Pakistan is an uphill task. It requires all the stakeholders to focus on the “key leverage points”, where investments from both government and private sectors and appropriate policies along with strict implementation of the same capital can yield large scale positive changes in educational quality standards.

National Education Policy 2009 has identified commitment gap, the lack of commitment to education and implementation gap which is lack of application of policies as the key reason for deficiency in performance of higher education institutions as well as its graduates in the industry, [4]. Similarly, [3] cited from [4] that poor governance structure of universities, poor standard of faculty and their training and low quality of research in education institutions are the key issues which should be focused by higher education institutions.

The authors went through many papers pertaining to quality management in higher education, importance of research in Higher Education Institutions (HEI), factors for growth of private sector HEI etc. but could not find any paper focusing on comparison between the performances of graduates from public sector universities with those from private sector universities.

**Problem Statement and Objectives:** There is substantial increase in number of higher education institutions and thus, thousands of students get enrolled in different institutions. These Universities and Colleges are awarding Masters and Graduation degrees to thousands of people with regular interval, but without having any appropriate knowledge, standardized performance and sound governance structure of institute etc. These are the vital areas required to compete in local as well as international education market. This study aims to evaluate following:-

- The extent to which business schools are able to meet the requirements of industry?
- To compare the performance required by managers with the actual performance of business graduates and thus to uncover the performance gap.
- To propose strategies for improvement of business schools workings which will result in improved performance of its graduates.

**Literature Review:** Business education has great importance across the world and the increased demand for business graduates is resulting in increased number of business schools establishment. However, business schools have lost their way, [5]. MBA programs were offering admissions to more selective people, focusing on developing useful skills and preparing leaders and therefore enjoyed a great respect in academic and business world for a very long time. However, the situation is reversed and most of our current business schools are unfortunately lacking this repute. The main reason for this problem is the failure of business schools to analyze themselves from competence of their graduates or the faculty understanding of important drivers of business performance to correctly measure themselves in scientific research work. Why and how are the questions tried to be answered in succeeding paragraphs.

**Admission Criteria:** The first step towards enrollment in higher education is the admission criteria. How efficiently institution meets the standards of admission ensures the quality of academic programs. Different institutions set different parameters for enrollment with the aim to choose only those students who are likely be able to achieve success in their respective programs. Admission standards and candidates’ admission test results are the valid predictor of candidates’ performance in their programs; however opportunities exist for improvement in communication and analytical skills.

**Curriculum:** [6], Academic curriculum has great importance in developing systematic thinking attitude in students and is at the heart of quality in higher education. This however varies from one institution to other and creates the difference between high quality and low
quality institution. Unfortunately, most of curriculum of business schools focuses on maximization of share holder wealth causing lack in performance development and other societal stakeholders’ issues, [7]. Rightly pointed out by Professor Henry Mintzberg that the fatal mistake which business schools are making is teaching less relevant syllabus to business students, [5] and the result is that the business leaders face problem in final analysis and judgement process. The managers assign different weights to different aspects of performance which are not properly being focused by business schools, [8] so the business schools need to revise their curriculum. One of the measure to improve the adverse situation is to ensure that a standard curriculum is being taught in the classes by the universities management, [9]. It needs forming a program audit committee to evaluate the performance of teachers and ensure quality of education. [10] believes that there was an inverse association between business school (BS) and success of economy during early growth period of BS between 1960-1980. Similary, during the second growth phase of BS from 1990-2000, the focus of management remained on generating maximum revenue rather than development of analytical skill and systematic thinking, thus creating serious “Question Marks” on the real objective of business school.

Quality of Faculty: Hiring and retaining the qualified faculty is an important concern for many institutions. There is always a difference in demand and supply of quality faculty. Infact, as quoted in the words of columnist David Brooks “the worst thing business schools are doing to its students is hiring faculty without enough practical knowledge” [5]. Simalary, [11] cites that quality of education is linked with the performance of faculty which includes different features like his/her availability to students, how efficiently s/he answers the questions of students and how much s/he takes time to respond queries of students showing an instructors command on the subject and ability to correctly understand and answer the students’ questions. Similarly, the manner in which a faculty member facilitates students, shares the latest knowledge motivates student to participate in different activities also affects the performance of faculty. Indeed, it is extremely unfortunate that there are so many professors of management who have never been in the real business world, except as customers [5]. The knowledge of professors and their experience directly affects business students’ education.

Management Structure and Leadership of HEIs: [13] cites from [14] that decentralized management structure of universities and strong leadership are the prerequisites for developing and enhancing university performance and research culture. [15] reports that the environment of institution and features of workplace are the key factors which influence the productivity of faculty.

Provision of External Funding and Resources to Students: Another important factor that has great impact on productivity of graduates is mentoring by faculty members. Students’ individual’s expectations for external funding for his/her work influence their productivity. Thus, when institutions facilitate and support their students by funding to conduct research, it greatly enhance their motivation level and ability to perform well, [15].

Honesty in Academics: In literature review, [16] points out that at college and university level, business students act more dishonest as compared to students from other disciplines. In this view, [17] says that male students act more dishonest in exams as compared to female. The trend for cheating and acting dishonest is same in both public
as well as private education institutions. Furthermore, the performance of student during study period at university greatly predict his/her professional performance; a student with attractive academic history is likely to perform in a better way in professional life and a student with less academic performance cheats more as compared to student with better academic performance. This dishonest behaviour in academic life is then transformed in the same way in professional life and thus negatively affects organization performance and its culture.

Research Methodology: To work on the stated problem, instrument developed by [8] was used. The study was developed in two phases; in phase one, focus group sessions were conducted in which views and expectations of managers with respect to graduates performance were taken and in second phase questionnaire was developed pertaining to knowledge, skills, abilities, personality (KSAP) dimensions. Confirmatory factor analysis (CFA) were done to confirm that these four factors really measure the performance. Results of Model Fit Summary [CMIN/DF= Chi Square Degree of Freedom (CMIN/DF) value 2.045] and Baseline Comparison result i.e. Comparative Fit Index (CFI) 0.978, Tucker-Lewis Index (TLI) 0.968, Incremental Fit Index (IFI) 0.978, Relative Fit Index (RFI) 0.939 and Normed Fit Index (NFI) 0.958 confirm that these factors significantly measure the performance. Managers were requested to rate the importance of previously mentioned performance dimensions 1 to 5 where 1 indicates least level of importance and 5 indicates most importance. Ten top ranked professionals were approached for this purpose and their valuable responses were taken to evaluate the gap between level of importance of different performance dimensions and the actual exhibited performance of the business graduates. After this, managers were requested to evaluate the performance of their subordinates. Total three hundred and fifty (350) questionnaires were personally distributed to managers from different industries including manufacturing, services, bevarages etc. The questionnaire was also made available online to managers from different areas and they were requested to evaluate the performance of their business graduate subordinates.

The questionnaire was divided in two parts. First part pertained to evaluation of performance of business graduates by managers and second part focused on demographics of business graduate. Performances of employees were evaluated on four dimension, namely i.e. knowledge, skills, abilities and personality. As explained in Figure 1, these four dimensions were divided into further eleven factors; knowledge into explicit and tacit knowledge, skills into hard and soft skills, abilities into intellectual and physical abilities while personality dimension was further divided into five factors namely conscientiousness, agreeableness, emotional stability, openness and extroversion. Attributes ranging from four to five for each factor was used and five points Likert scale was used for obtaining responses where 1 was for “strongly disagree” and 5 was for strongly agree.

RESULTS AND DISCUSSION

A total of two hundred and eight (208) usable responses were received from industry in which thirty nine (39) were received online which represent 18.75% of total respondents. The highest response was from services industry which constitute 63.46% of total responses, followed by manufacturing industry with 10.58% of total responses.
Table 1: Summary of means

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Factors</th>
<th>Importance</th>
<th>Actual</th>
<th>Performance Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>Explicit Knowledge</td>
<td>4.11</td>
<td>3.56</td>
<td>-0.55</td>
</tr>
<tr>
<td></td>
<td>Tacit Knowledge</td>
<td>3.56</td>
<td>3.61</td>
<td>0.05</td>
</tr>
<tr>
<td>Skills</td>
<td>Hard Skills</td>
<td>4</td>
<td>3.56</td>
<td>-0.44</td>
</tr>
<tr>
<td></td>
<td>Soft Skills</td>
<td>4.11</td>
<td>3.68</td>
<td>-0.43</td>
</tr>
<tr>
<td>Abilities</td>
<td>Intellectual Abilities</td>
<td>4.44</td>
<td>3.54</td>
<td>-0.9</td>
</tr>
<tr>
<td></td>
<td>Physical Abilities</td>
<td>4.11</td>
<td>3.5</td>
<td>-0.61</td>
</tr>
<tr>
<td>Personality</td>
<td>Conscientiousness</td>
<td>4.56</td>
<td>3.61</td>
<td>-0.95</td>
</tr>
<tr>
<td></td>
<td>Agreeableness</td>
<td>3.89</td>
<td>3.58</td>
<td>-0.31</td>
</tr>
<tr>
<td></td>
<td>Emotional Stability</td>
<td>4.22</td>
<td>3.63</td>
<td>-0.59</td>
</tr>
<tr>
<td></td>
<td>Openness</td>
<td>3.67</td>
<td>3.56</td>
<td>-0.11</td>
</tr>
<tr>
<td></td>
<td>Extroversion</td>
<td>3.22</td>
<td>3.71</td>
<td>0.49</td>
</tr>
</tbody>
</table>

As a first step, the reliability of the data was checked using Cronbach’s alpha. The value of Cronbach alpha for knowledge is 0.882 which means the scale being used is reliable. Similarly, the value of the Cronbach’s alpha for skills is 0.857, for abilities 0.896 and for personality is 0.946. To ensure adequacy of the sample Kaiser-Meyer-Olkin(KMO) test was run. 0.939 value of KMO confirms the adequacy of sample size. It can therefore be confidently analyzed that the managers rate Knowledge as most important dimension for individual performance which is followed by Skills, then Ability and in the last Personality.

**Knowledge:** The mean of Explicit Knowledge’s attributes is 3.56 which indicates that most of managers rank explicit knowledge performance of their subordinates from neutral to good while mean of Importance of explicit knowledge is 4.11, so there is a gap of -0.55 between required performance and actual performance of business graduates. It is important to note that only 15.68% graduates were ranked in “very good” category of explicit knowledge. The first attribute of explicit knowledge i.e. able to present alternative solution contains 76.4% values between neutral to good. In addition to this 49% of business graduates were rank between very bad to neutral as against attribute four (possesses knowledge of current issues) and five (able to apply theoretical knowledge to real-life applications ) which indicates that 49% workers are not meeting the requirements of managers or just partially fulfilling them. It is due to the failure of higher education institutions to develop intrinsic motivation for learning as most of students study with the intention to merely pass the exam with no intention to develop understanding of the topic. In this regard, it is important to look that what business schools are actually doing, not what they say that they do. The productive and renowned business schools across the world focus on case studies as essential part of educational process and keeps on revising and developing curriculum according to industry requirements. An updated curriculum is thus an integral part of enhancing students knowledge.

Similarly, the mean for Tacit Knowledge is 3.61. Although, it is not much higher than explicit knowledge i.e. 3.56 but it exceeds its importance mean i.e. 3.56. It is interesting to note that according to managers, most of graduates are willing to learn new skills and they use to produce innovative ideas for problem solving and to perform usual and unusual tasks.

**Skills:** Skill was weighted as second most significant dimension for good performance as it pertains to learning and handling of job related issues. To perform any job successfully hard skills and soft skills are essential but there is performance gap in both skills which ranges from-0.44 for Hard Skills and-0.43 for Soft Skills. The dimension i.e. ability was weighted as third most important dimension for individual performance. However, its factor Intellectual Ability: Ability was weighted as second most important factor for individual performance out of 11 factors of 4 dimensions with the mean of 4.44. Intellectual ability is required to perform mental activities and involves thinking and reasoning as most of the jobs requires logical reasoning and time management. This shows a huge performance gap i.e. -0.9 in expected and the actual performance of business graduates. This is because most of business graduates are not motivated during their study to think creatively and logically which develop their intellectual ability. Similarly, [16] mentioned that at college and university level, business students act more dishonest as compared to students from other disciplines. When they enter into practical industry, they act in the same way and fail to meet industry requirements.
**Personality:** Personality is defined by American Psychological association as “Individual differences in characteristic patterns of thinking, feeling and behaving”. Personality was prioritized as fourth most important dimension for individual performance in this study. Its factor “Conscientiousness” was weighted as the most important one out of all 11 relevant factors with the mean of 4.56. Conscientiousness relates to working in organized and dedicated manners. It creates difference between people who work in organized manners and complete the tasks within assign periods with people who act spontaneous. According to research result managers rate conscientiousness as most important for job performance and success but there is a big gap between importance of conscientiousness and actual performance of workers which indicates that most of business graduates are not dedicated to work or don’t work in organized manners.

**Recommendations for Improvement:** By comparing the data of level of importance of different dimensions with the data of actual performance of business graduates, it is uncovered that there is significant gap between required performance and actual performance of the worker. Business schools need to review their working and activities. In this regard, some of the suggestions are given below;

- Business schools should have faculty with diversified industry experience that requires more than just fact collection experience.
- To get potential leaders and business executives, corporate employers and business community must clearly indicate the management of business schools as to what do they need in business graduates.
- The curriculum must be multidisciplinary and include variety of case studies which require intensive analysis and strategic planning by students.
- The focus of business school management and faculty should be on development of analytical, strategic and decision making skills of students.
- To ensures quality in higher education institutions, concept of accountable management should be applied in public as well as private sector HEI. The management should be accountable to external committee comprising of people with strong academic and industrial background. They also should go for international alliance which will ensure that they are aligning with global standard, [18].

**CONCLUSION**

“Knowledge is Power” is a generally referred and frequently heard quote, but it seems that most of the times, it is rather said than understood. Impact of knowledge to improve lives of common man and to provide them more choices and better options in decision taking is the actual spirit of knowledge, probably not well understood. Education thus equips us with knowledge we were previously unaware of and making us able to make better decisions through having more and better options.

Managers are confronted with variety of problems, everytime a unique and new one and incidently, always involving additional cost in terms of time and money to the business. This demands a focused study theme for the business graduates at HEIs to enable them come up to the required standards expected out of them for successful business operations.

This paper focused on performance of Business Graduates in the industry and found that despite of spending huge amount of money and numbers of years of study, business graduates lack in required skills and abilities expected by the employers in their employees. The gap between the expected and exhibited standards can only be ensured by a better quality education in higher education institutions, both public as well as private sector. There is also a need to form an independent committee comprised of members from educational as well as from industrial sector to ensure quality in education. Another important requirement is that HEC should further take the initiatives to encourage the talented and hardworking students. Similarly, strong actions should be taken against students which are involve in plagiarism activities as except the few institutions which are ensuring anti-plagiarism policy most of business schools ignore such practices of students which results in underdevelopment of intellectual abilities and analytical skills of students. That is why most of the business schools lack in providing quality education to students required by the industry. In brief, there is a requirement to have focused studies of students rather than just getting them degree from the institutions instead of development of intellectual skills and job related conscientiousness.

This is a research carried out on business students in Pakistani environments. By changing the population and methodology, results may change. Further research in this context is recommended to check if the similar results are observed in different environment.
REFERENCES


