

The future of graduate management education

in the context of the Bologna Accord
Highlights

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Introduction

One cannot cross a chasm in two steps; sometimes a daring leap is called for. The 29 countries that initially signed the Bologna Accord in 1999 saw higher education in Europe as a metaphorical chasm. Their commitment was a heroic leap in an endeavour to bridge this chasm and bring coherence where there is chaos.

What did the signatories find when they examined Europe's higher education systems? They saw a *mélange* of degree titles, no two of which meant quite the same thing. They saw academic programmes that ranged from three to seven years (and sometimes longer) in duration. They saw discrepancies in commitment to higher education funding from governmental agencies. They saw employers confused by the smorgasbord of the academic credentials that students presented.

Perhaps the most profound impact of the Accord's recommendations will be on business and management education. Global employers already struggle to distinguish between titles such as *Bachelor*, *Laurea* and *Diplomkaufmann*. While a Bachelor degree in business administration may be more clearly understood under the Accord, a potentially confusing array of new Master degrees hovers on the horizon. There will be degrees where no work experience is required, which are granted simply as an extension of Bachelor study. Post-experiential degrees, specifically targeted at students with a professional background, may flourish but it is equally possible that they will be lost in the alphabet soup of Master level credentials.

For 50 years, the Graduate Management Admission Council (GMAC[®]) has been committed to creating and improving access to graduate management education around the world. Since its inception, it has invested resources in the study of the future of this type of education. Today there is no more worthy nor challenging opportunity for study than the impact of the Bologna Accord.

In 2003, the Council established a task force of education and business leaders to study the potential effects of the Accord on graduate management education. This document reports the task force's findings.

The report is not intended to be encyclopaedic; its focus is limited to management education rather than the consideration of other disciplines. The content is also limited to address specific audiences that need to understand the impact of the Accord: university administrators, government funding agencies, students and employers. The intention is to provide a catalyst for debate and to emphasise the need for concerted effort to maintain the impetus stimulated by the signing of the Accord in 1999.

Crossing the chasm by signing the Bologna Accord is part of a long, complex journey to the future of higher education. Today 11 more countries have joined the original 29 signatories. Together they will have to take many more steps, both great and small, to achieve progress. Progress will not always be uncomplicated; there will be times when the challenges appear insurmountable. Their action, however, represents a fundamental shift in European higher education.

If just one idea or suggestion from this report improves the lot of Bologna, GMAC[®] will have achieved a positive return.

David A Wilson, GMAC[®]

Preface

The landscape of European higher education, and of European business schools, is changing radically.

The Bologna Declaration and subsequent communiqués have now been signed by 40 European countries. The signatories have agreed to align their systems of higher education to facilitate greater transparency, increase mobility, and rationalise the granting of degrees across Europe.

The introduction of the Bachelor–Master progression (4 plus 1, or 3 plus 2 years) instead of the traditional European long-cycle degree system (5 years) is at the heart of the Bologna Declaration. All European students will henceforth graduate firstly with a Bachelor degree. They can subsequently choose to continue their studies in the same subject at the same university, change subject or university nationally or internationally, or go directly into employment. All signatories have agreed that these changes will be implemented by 2010.

While superficially these changes appear to create a system like the traditional Anglo-American system across the continent, the reality is much more complex. The continental system of elitist, long studies based on Humboldt's view of education is deeply rooted. Many students will continue directly on to a pre-experience Master programme, rather than seeking employment. Others will not. Some may pursue MBA studies, others will not. The challenge is therefore to understand how the behaviour of students, employers and institutions in continental Europe will change as a result of the Bologna Accord. With millions of students having new choices and thousands of new Master programmes being launched, the stakes are huge.

From an Anglo-American perspective, all of these new post-Bologna Bachelor graduates offer an attractive pool of prospective Master students. Conversely, all of the new Continental European higher education institutions will seek to recruit students not only among Anglo-American Bachelor graduates, but from around the world. Some programmes and universities will benefit enormously and create global reputations. Others will be less fortunate, and may very quickly be under tremendous financial pressure.

What the future may bring is uncertain. What is certain is that we live in interesting times.

Kai Peters, Ashridge, and Sir Paul Judge

Executive summary

Background

The first steps towards an open Europe for higher learning were taken in May 1998 when France, Germany, Italy and the UK signed the Sorbonne Declaration. This declaration set out the need to remove barriers to, and develop frameworks for, teaching and learning within Europe. Fundamental to the declaration was the need to converge higher education structures and thus a two-cycle system of undergraduate and postgraduate stages was proposed.

The Bologna Accord, signed in June 1999, built upon the foundations laid by the Sorbonne Declaration and represents a firm commitment to higher education reform. Twenty-nine countries signed this new agreement, which outlined the key objectives each country would undertake by 2010 in order to achieve higher education convergence. The objectives included:

- **establishing a system of easily recognisable and comparable degrees**
- **creating a two-cycle system of university studies leading to recognised qualifications with relevance to the labour market at the end of each stage**
- **developing a European-wide credit system, with credits earned in studies or non-traditional learning paths, to promote student mobility**
- **promoting student and teaching/support staff mobility**
- **co-operation between quality assurance bodies to develop comparable systems, criteria and methodologies**
- **creating networks of European learning.**

Fundamentally, the Bologna Accord splits the traditional European first degree (roughly comparable to a Master degree in an Anglo-American curriculum) into two components: the Bachelor degree and the Master degree. Such an elemental shift will radically alter the landscape of European education and will have tremendous, though little understood, consequences for higher education, and in particular for business schools, in Europe and around the world. In Europe alone, more than 750m people will be affected by these changes at some point in their lives. The impact will travel far beyond national borders and become part of academic and professional life around the world.

In this new post-Bologna environment, students will graduate with a Bachelor degree after three or four years of study. They can then continue their studies or go directly into employment. The first wave of 'new' Bachelor holders has already begun in some European countries and the overall system must be in operation by 2010.

Sensing the shockwaves that could result as 2010 draws near, the Graduate Management Admission Council (GMAC®) decided to sponsor a project to assess the impact of the Accord on graduate management education. A specially selected task force was assembled that included key figures from graduate education, industry associations and employers. Their diverse perspectives and thoughtful reflections on the impact of the Accord have framed this paper, which outlines the major issues facing each of the four key stakeholder groups: governments, institutions, employers and students.

¹ The full text of the Bologna Accord can be found in Appendix 1.

Governments

The creation of a European higher education area in the 40 signatory countries represents fundamental changes to higher education. What is most surprising, however, is that the Bologna Accord is a voluntary agreement! Significant steps have already been taken but by 2010 all countries must fully implement the reforms. A lack of action will not only open up opportunities for non-state higher education providers but may also result in students travelling abroad to study. These students may not return to their own country.

The first post-Bologna Bachelors have graduated in countries that have already implemented the two-cycle structure. These countries are at an advantage since they offer high-quality, competitive degree programmes that will attract students from beyond the domestic marketplace. These students may choose to remain after their education finishes and become residents, employers and employees.

The Bologna reforms will reduce the recurring costs of higher education to government only after the investment that is required to implement the reforms has been made. It is estimated that every university will need approximately €3.4m to bring about curricula reform and introduce the European credit system. Given that these activities comprise only part of what will be needed, the final total is likely to be significantly higher. Governments should therefore provide ring-fenced funds to support higher education during the transition period.

Once the reforms are complete, ongoing education budgets will be more predictable. The length of Bachelor and Master degree programmes will be fixed, while enrolment and graduation rates should increase and enable more accurate planning for education budgets. Shorter study programmes will result in graduates entering the employment market and beginning to contribute to the public purse at a younger age.

The introduction of shorter, one- or two-year, Master degrees will make European higher education compatible with systems elsewhere in the world and therefore more attractive to international students. In an environment where funding for tertiary education is reduced, these students, who pay significantly higher fees than their domestic counterparts, could represent a potential revenue stream.

International student mobility, however, introduces two key issues, the first of which is language. A growing trend is for Master degrees to be offered in English: approximately 1,500 taught Master programmes were available during the 2003/04 academic year in countries where English is not the first language. Secondly, if higher education providers want to attract international students, governments must consider relaxing immigration and permit requirements. This needs to happen in tandem with simplifications in the process by which visas are changed from study to employment purposes.

Regardless of whether a government wishes to retain domestic students or attract foreign ones, it needs to promote higher education programmes and provide a single, comprehensive source of information for potential students. This should go beyond simple course listings and enable students to make informed choices.

As students become the purchasers of higher education, they will demand greater quality and service and be prepared to travel to find them. While this could raise the quality of the programmes on offer, a higher education system driven only by student demand would be unlikely to support the national education strategy. There is a danger that less popular programmes will be sidelined and governments may need to target funding at specific disciplines to ensure their survival.

In a competitive market which is open to a range of educational providers, controls are needed to maintain quality and prevent the growth of substandard 'diploma mills'. To protect the status and reputation of higher education, many countries have created quality assurance and accreditation bodies to monitor institutions and ensure that they comply with national standards and curricula. Countries that have not introduced such measures have until 2005 to do so.

For quality controls to be effective they must be pan-European. The European Network of Quality Assurance (ENQA) is developing agreed standards, procedures and guidelines that will enable national agencies to expand their remit and complement international mobility. However, unless membership of the ENQA is revised to include management and business accreditation bodies such as the Association of MBAs (AMBA) and the European Foundation for Management Development (efmd), their experience in international accreditation will be largely ignored.

In the post-Bologna higher education environment, governments can demonstrate clearly the benefit to society that Bachelor, academic Master and Doctoral studies deliver. The position of professional Master degrees, such as those in business and management, is less clear. The high private returns enjoyed by holders of these degrees make continued public support for such qualifications uncertain. If subsidies for professionally-oriented Master degrees that do not require students to have employment experience are removed, they will be in the same position as post-experience qualifications (like the MBA) where direct state support is minimal. As national funding for tertiary students continues to decline, this could result in further funding being withdrawn from these professionally-oriented studies.

A decrease in state funding levels, together with institutions being given greater autonomy to raise funds, is changing higher education's relationship with private enterprise. Increasingly, teaching and research activities are being undertaken in return for fees. This changing relationship increases higher education's accountability to business for the services they provide and introduces a complicated set of further issues such as intellectual property, research direction, data ownership and publication control.

The GMAC® task force recommends that:

- Governments provide additional support to institutions to restructure their programmes to the Bologna principles.
- MBA accreditation bodies join ENQA discussions to establish common European quality assurance standards, procedures and guidelines.
- Governments market their national higher education systems.
- Legislation related to the recruitment of graduates to national and supranational governmental bodies is updated to include the new qualification types. Any differentiation that exists surrounding the type of institution granting the award should also be removed.
- Governments create an information point for employers to inform them about the particular characteristics of each national higher education system and its qualifications hierarchy.
- The signatory countries adopt common reporting standards for student data.
- All students have greater access to accurate information about student support and the availability and portability of grants and loans.
- The signatory countries consider creating an education balance of payments system and a portable student support or loan system.
- Governments develop policies that support employees who want to return to education.

Institutions

The introduction of a break point after completion of a first degree, the Bachelor, presents a new challenge to many European institutions where the traditional long-cycle degree still dominates. Institutions will need to sell themselves and their programmes to a different set of students.

Post-Bologna, higher education will be far more crowded than at present and competition will come from beyond national boundaries via a range of different providers. We estimate that in the field of graduate management education alone, more than 12,000 Master programmes will compete for students. In this environment institutions will have to assess their strengths and weaknesses, decide which markets they want to enter and position themselves carefully. In order to seize the opportunities inherent in a more open, competitive market they need to build upon their strengths and clarify their academic and/or research profile. Once these first steps are taken, institutions must define, design and position their portfolio of programmes so that they meet the needs of the new Bologna marketplace. They must also integrate quality assurance measures from the outset.

Institutions need to make clear exactly what their programmes offer so that both students and employers can distinguish between both the learning outcomes of Bachelor and Master degrees, and the differences between the various types of Master degree. For example, there should be a clear distinction between the MBA as a post-experience, executive qualification and other pre-experience Master degrees.

Successful Master programmes will need to identify what types of students they want to attract and target them effectively. This involves defining learning objectives in terms of the knowledge and skills students will acquire, and translating these learning outcomes into post-study employment opportunities that successful graduates can seize. The international competitiveness of European higher education will be enhanced as non-European students are attracted by clearly positioned offerings.

To realise these objectives institutions must create an effective admissions procedure and select which students will be granted entry. Selection enables the right students to get into the right programmes and promotes a better overall learning experience. As student mobility is enhanced, transparency about the learning outcomes and achievements of graduates becomes increasingly important. A system such as the Diploma Supplement facilitates this transparency; similarly, the European Network of Information Centres (ENIC) will become increasingly valuable as an information source that will help to facilitate cross-border degree recognition, and therefore guarantee the equal treatment of all students.

If institutions are to implement these changes to meet the requirements of the Bologna Accord, they need strategic autonomy and empowered programme management systems so that they can make decisions and take effective action.

The GMAC® task force recommends that:

- Guidelines for the nomenclature of Bachelor, Master and MBA degrees are agreed and adopted.
- Clear guidelines on what an MBA represents are defined, adopted and integrated into national qualifications frameworks.
- The signatory countries use a common framework to provide information on individual programmes.
- All state institutions are given the power to select students for programmes at both Bachelor and Master level.
- Tests like the GMAT® are used to ascertain the suitability of candidates from different educational backgrounds for graduate management study.
- Further work is carried out to enhance the quality of the information provided by the ENIC sites.
- All business schools adopt the Diploma Supplement.
- Institutions clearly communicate the differences between pre- and post-experience graduate management education so that students can make more informed choices.

Employers

Employers play a key role in determining the success of the Bologna reforms. Unless they actively recruit Bachelor graduates, these degrees will be of little marketable value.

From an employer's perspective, the introduction of the Bologna Accord raises a number of issues, particularly in the field of business and management education. Since the business environment has changed rapidly over the last 20 years, management education must reflect and respond to those changes in order to prepare students for employment.

A closer relationship between employers, institutions and students will encourage the development of a productive workforce. It is important that education and employers work together to determine spheres of workforce development, and that both parties clearly understand what they want to achieve.

The challenge for educational providers is to develop the transformational potential of students in order to increase their employability. Higher education should equip graduates to get jobs and to develop as critical, reflective, lifelong learners. Employers recognise the importance of, and invest in, the development of leadership, interpersonal skills and business awareness and are prepared to build upon this capability.

As higher education changes and grows, the size and composition of the graduating classes will alter. A Bachelor degree will become commonplace and more students are likely to undertake Master degrees to differentiate themselves in a crowded marketplace. Employers will have a larger pool of potential employees but these are likely to be of variable quality and hold different levels of qualification. A common nomenclature for Bachelor and Master qualifications will help employers to understand what each qualification represents and promote graduate mobility. There is already high awareness of the MBA title but this appears to be one of the few qualifications broadly understood by employers. Employers, therefore, need to have easy access to information on all higher education systems, institutions and final awards.

In many countries, despite initiatives like the German 'Bachelor welcome' that aim to encourage the employment of Bachelor graduates, a pre-experience Master will remain the basic academic degree for the present. This will only change when Bachelor degrees gain recognition and status in the labour market. As the public sector is a major employer of graduates, its acceptance of Bachelor degrees will be critical.

Business-oriented Master degrees can offer a transformative education for students with Bachelor degrees in non-business subjects. This can create valuable combinations in graduates by making their skills more relevant to employers. In the longer term, the number of students embarking upon pre-experience Master degrees may decrease as the marketplace matures and employers seek both fresh Bachelor graduates and Master graduates with work experience.

A formal qualification alone does not give an accurate picture of how an individual will perform in the workplace. Employers from five European nations included work experience in their list of the top ten most desired graduate attributes. Previous experience has also been identified as a contributing factor in the salary differential between pre- and post-experience business Master graduates.

The GMAC® task force recommends that:

- Employers use the Diploma Supplement to find out more about candidates.
- Employers rethink recruitment and staff development policies in light of the new qualifications.
- Employers develop a clear understanding of the skills they require. In turn, higher education needs to listen to employers to produce graduates with the required generic skills without compromising academic integrity.
- Pre-experience graduate management education incorporates periods of work-based learning to assist employers in their recruiting decisions and enable students to relate theory to practice.
- Industry-led projects across disciplines should be an essential component in all graduate programmes.
- Employers strengthen their role in helping students to relate theoretical skills to practice by providing opportunities for work experience and contributing to the teaching of the curriculum.

Students

The Bologna Accord presents new opportunities to students by splitting the traditional long-cycle degree into two stages. Students will have more options in an enlarged higher education environment.

One of the most significant changes that the Bologna Accord brings about is increased student mobility. It is anticipated that 2.4m European students per annum will graduate with Bachelor degrees; they will have to decide whether to seek employment or continue studying. If they choose the latter, they must decide whether to continue specialising or move into a different discipline. Furthermore, these students can study for their Master degree at a different institution, in their own country, elsewhere in Europe or outside Europe. Student decision making will become more complex.

Their decisions are likely to be heavily influenced by employer acceptance of the Bachelor and Master qualifications. In countries with a tradition of long-cycle first degrees, students are more likely to continue studying and enter a Master programme related to their first-degree programme. This behaviour will only start to change once employers demonstrate their commitment to the new qualifications through their hiring and recruitment practices. In markets where the 'new' degrees are more firmly established, indicators from the US and UK point to some 20% to 25% of Bachelor graduates studying for Master degrees in business and management.

In making choices about their future, students must also evaluate the benefits and costs (including tuition fees, travel, differential living and opportunity costs) of each mobility option. When considering whether to stay in their home country or study overseas, students will also be influenced by language issues, the equivalence placed on their earlier qualifications, and the availability and portability of grants, loans and other student support mechanisms. Only if governments and institutions provide easily accessible, comprehensive information about all aspects of study in Europe (including visa and residency regulations, support, welfare, social life and local culture) will students be encouraged to widen their horizons and consider alternative study options in new locations.

The Bachelor–Master structure is the dominant global model; by enhancing the compatibility of the 40 signatory country higher education systems, students from further afield will be attracted by Europe’s high-quality, competitive Master degrees. The process may work in reverse, however, with students encouraged to move outside Europe to complete their education. The cost of study is an important factor in determining where students go, and generous stipends offered by some international institutions can make it cheaper for them to study further afield. Mobility beyond domestic borders will continue to be discouraged if clear policies surrounding grant and loan portability are not developed. One clear obstacle to portability is the inability to collect loan or grant payments outside national borders. Within Europe, the development of a common loan programme with cross-border collection would encourage student mobility.

The significant difference between the tuition fees charged for a typical Bachelor (negligible) and pre-experience Master degree (approximately €7,500 per annum) reflects the general trend for state support to be ring-fenced for first degrees. However, as more students enter into, and successfully graduate from, higher education, financing models will change and state subsidies for higher-level study programmes are likely to be further reduced. The existing tuition fee differences between public and private higher education illustrate the effect of subsidised and market-pricing mechanisms. A reduction in state subsidies would therefore result in increased student contributions for all Master degrees. As the tuition fee gap between pre- and post-experience business and management Master degrees closes, students will need to be better informed as to the actual differences in purpose and value between each degree type.

The GMAC® task force recommends that:

- **Students receive comprehensive and pertinent information that enables them to make informed decisions about their programmes of study.**
- **Students consider not only the financial implications of studying outside their home country but also evaluate visa and residency regulations, support, welfare, social life and local culture which will impact on their educational experience.**

Valérie Gauthier, since becoming the Associate Dean for the HEC MBA programme in 2002, has introduced innovations into the curriculum and forged stronger links with the business world. As part of her global vision of women in business, she is also involved in Careers + Choice: Women in the MBA and HEC NOW (Network of Women).

Peter Gomez is currently President of the University of St Gallen and has a career spanning both academia and business. Previously he was the Senior Vice-President of both the Ringier and Distral Groups, a founding partner of Valcor (a mergers and acquisitions consultancy) and in 1990 became both Professor of Management at the University of St Gallen and a Director of the Institute of Management.

Jeanette Purcell joined the Association of MBAs as Chief Executive in 2003 after being Director of Education and Training at the Association of Accounting Technicians. She has over 20 years, experience in a wide range of business contexts, is a published authority on competence-based assessment and is a visiting lecturer on leadership skills.

Gordon Shenton currently divides his time working for both the European Foundation for Management Development (efmd) and EM Lyon. After receiving an MA from Oxford University and a PhD from Harvard University, he became an Assistant Professor and has held a number of teaching positions. He joined EM Lyon as Head of their Language Department and then Dean of the ESC programme and in 1997 became a Director of EQUIS.

David Wilson has been President and CEO of the Graduate Management Admission Council (GMAC®) since 1995. Prior to joining the Council, he was Managing Partner and National Director of Professional Development for Ernst and Young LLP and has also served as faculty in a number of universities. Dave is currently a Director of Laureate Education Inc, the Board of Junior Achievement International and is President of the Conférie de la Chaîne des Rôtisseurs in the United States.

The Graduate Management Admission Council (GMAC®)

GMAC® is a non-profit association of 138 business schools from around the world. The Council has taken a leading role in studying the possible effects and outcomes of the Bologna Accord because of its commitment to fostering the growth and availability of high-quality business and management programmes throughout the world.

GMAC® began as a small coalition of business schools whose aim was to design a standardised assessment to gauge the academic aptitude of applicants to graduate business and management programmes. In 1954, the Council began to offer the assessment now known as the Graduate Management Admission Test, or GMAT®. The GMAT® is specifically designed to predict an applicant's likelihood of academic success in the core curriculum of a graduate business programme.

Throughout its 50-year history, the GMAT® has maintained its statistical validity as a predictor of academic success in the graduate business curriculum. This validity has been tested and proved in hundreds of programmes internationally and in gender studies and studies involving various U.S. minority groups. The Council is confident of the test's relevance as a means of choosing the most able applicants and of upholding high academic standards through the use of selective admissions. Approximately 1,800 programmes worldwide use the test in their admissions process to help select qualified applicants for business and management studies.

The increasing stature of the MBA degree as a mark of excellence and ability throughout the world has been made possible in part by the use of the GMAT® as a means of selecting qualified students for admission to MBA programmes. The Council feels confident that the test can be a valuable asset to European graduate programmes in business and management that seek selectivity in admissions and a high level of academic excellence as they comply with the educational reforms prescribed by the Bologna Accord. Furthermore, the GMAT® can be used by such programmes as a standard, objective measure to compare applicants from different educational systems and backgrounds.

The GMAT® test is a widely recognised hallmark of quality that can assist European governments, students, and employers in distinguishing one graduate business programme from another for the purposes of deciding funding, choosing where to enrol, and selecting promising candidates for employment. It is the hope of the Council that the GMAT® will facilitate the implementation of some of the recommendations offered in this report.