

FINDING THE MBA CUSTOMER: CONSIDERING MBA INNOVATIONS FOR CLOSER CUSTOMER-STUDENT ENGAGEMENT

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INSTRUCTORS' NOTES

CASE DESCRIPTION

The primary subject matter of this case concerns strategic decisions about the best options for offering the MBA degree considering internal and external demands. Secondary issues examined include issues relating to the curriculum, technology, faculty development, political and structural relations within a bureaucratic organization, funding models, staffing, and other issues. The case is presented in two parts focused upon two “decision points.” While the case has a difficulty level of four, five, and above (appropriate for senior, first year graduate level, and above) this is based more upon interest and understanding rather than difficulty. Since there is little use of statistical analysis the case is accessible to students at all levels. Students need to be able to apply SWOT and industry analysis. The case is designed to be best taught in two or three class hours and is expected to require one hour of outside preparation by students.

CASE SYNOPSIS

Many business students have an interest in the MBA degree, its design, and have their own opinions and preferences on both. It has been common for small and mid-sized universities to offer only a part-time evening MBA option. WKU is in a precarious position at the first decision point in this case: MBA enrollment and graduation rates are moving in the wrong direction for its only option, an evening program. Readers are allowed to innovate and be creative in considering alternative approaches to improve enrollment and graduation rates while meeting external and internal demands. Readers can employ a SWOT and an industry analysis.

WKU decided to address facts in “decision point one” by introducing four “boutique” or limited sized MBA program options. Small accelerated/full-time, online, professional, and international MBA options were created admitting only the number of students who can fit into a single room. At “decision point two” readers are asked to reconsider, improve, and make other decisions following the initial decision to move to the complex boutique approach. This requires analysis of somewhat fuzzy outcomes along with data on some key variables.

RECOMMENDATIONS FOR TEACHING APPROACHES

This case is written so that students can stop and do analysis and make recommendations at two points in time. These are labeled “Decision Point One” and “Decision Point Two”. In the first decision or part students are asked to do a systematic analysis of the situation and institution and then make recommendations. The instructor will want to keep students from reading the

material in “Decision Point Two” until after the discussion of the first decision point. In the second part students have the benefit of knowing what the institution actually decided to do for the first decision, and are asked to make recommendations based upon that knowledge and additional facts they are given. Instructors could choose to focus upon only one of the decision points or parts but the shorter second part can help give closure to student discussion in the first part. Students often are very interested in what actually happened after a crisis point in a written case and this case provides such information.

Part One/Decision Point One Questions

1. One tool managers use to analyze the resources and situation is called a “SWOT Analysis.” Applied to this case, the questions raised in a SWOT analyses would be these:
 - a. What are the internal strengths and weaknesses of this college and MBA program?
 - b. What are the key opportunities and threats in the external environment that the case presents are you suspect are in the MBA market?
2. As a result of the SWOT analysis you performed, what are your program modification recommendations if your goals are to increase the graduation rate and enrollments in classes?
3. Another common tool managers use in strategic planning is called “Industry Analysis.” If this college decides to create a new MBA program or option it first needs to analyze how favorable the environment might be. A common set of questions used to determine the attractiveness of the market and the intensity of the competition applied to this case, would be:
 - a. How intense is the rivalry between competitors for various MBA programs currently in the relevant market?
 - b. What is the threat of the entry of new competitors in the relevant MBA market?
 - c. What is the threat of a substitute for an MBA degree?
 - d. What is the bargaining power of the customers for MBA degrees?
 - e. What is the bargaining power of the suppliers of MBA degrees?
4. As a result of the industry analysis, how successful are your ideas to improve the current MBA program likely to be? Do some of your recommendations face a more favorable environment than others?

Part Two/Decision Point Two Questions

1. What is the best way to handle the somewhat low enrollment numbers in the online MBA program option? Should the MBA program adjust the number of classes and sections down to meet the current demand for online classes or should the program find other approaches to increase its online MBA enrollments?
2. What should the MBA program do about the failure to recruit any students for the Trilateral MBA (TMBA) program? Should it drop the program immediately to avoid future financial risk? If so, how can “international reach” be built into the MBA program and its three options so that there is an ongoing international element to the program?
3. Is the Professional MBA (PMBA) at a sustainable size at the recent average of 16 students per new 2-year cohort entering each fall? Is this the expected demand for the environment at WKU described in the case? Should “telepresence” be used to add a second site into a new cohort? Are there other approaches the program could take if the PMBA needs to grow?

Part One/Decision Point One Answers

1. The SWOT analysis is probably the single most common model used for strategic analysis and a number of explanatory resources are available (see Porter's publications under References). Some websites which add some details are listed in table 1. Useful sites for background material for the institution, and MBA programs are listed in table 2.

Teaching Table 1 HELPFUL STRATEGY WEB SOURCES
http://www.quickmba.com/strategy/porter.shtml
http://www.mindtools.com/pages/article/newTMC_08.htm
http://en.wikipedia.org/wiki/Porter_five_forces_analysis
http://www.youtube.com/watch?v=mYF2_FBCvXw - Michael Porter discusses his five-force model as part of a Harvard Business video

Teaching Table 2 USEFUL BACKGROUND SOURCES
http://www.wku.edu
http://www.wku.edu/graduate
http://www.bgky.org/
http://www.bgchamber.com/
http://www.geteducated.com/online-college-ratings-and-rankings/best-buy-lists/best-buy-online-masters-mba-aacsb
http://www.geteducated.com/online-college-ratings-and-rankings/best-buy-lists/best-buy-mba-regional

- S. Strengths (internal) of MBA program:
- International Accreditation (AACSB) for business programs, assuring:
 - Qualified faculty
 - Solid curriculum
 - Adequate resources
 - Established university and college of business (100 years plus)
 - Vision – “leading university with international reach”
 - Some national recognition for sports and certain academic programs
 - Ability to charge fees to pay faculty off-load to teach in online and PMBA
 - Unique “immersion” class approach for online option students (biterm classes)
 - Relatively low tuition (for all public schools in Kentucky)
 - Support of Business, and University Advisory Board
- W. Weaknesses (internal) of MBA program:
- Interrupted offering of MBA program (years with no program)
 - Public institution with limited finances
 - Limited marketing budget
 - Perceived as a regional rather than national university
 - Inability to hire additional faculty to staff MBA expansion
 - Unique biterm class approach generally limits students to two classes
- O. Opportunities (external) for MBA program:
- National demand for the degree (MBA)

Respect for degree, including its requirement for applying for some jobs
 Growing population in geographic region
 Region has lower than average percentage of people with graduate degrees
 Regional campus growth
 Unemployment in region about 10%

T. Threats (external) for MBA program:

Many online MBA competitors
 Other accelerated and/or weekend MBAs in the general region
 Other degree programs
 Main campus town (Bowling Green) is only a medium-sized town (50-70,000)
 Economic recession
 Unemployment in region about 10%

2. What are your program modification recommendations if your goals are to increase the graduation rate and enrollments in classes?

When students read the material under DECISION POINT TWO they learn that this particular college decided to split its resources based upon student type:

- A. international, unemployed, future Ph.D., and continuing students became the full-time program;
- B. experienced, fully-employed, regional students became the weekend PMBA program;
- C. students not able and or willing to come to the main campus became the future online students.

(Trilateral/TMBA students are considered full-time students for most purposes).

However, students may have many different approaches such as involving regional campus locations, the use of technology for two-way instructional TV, restructuring meeting times to attract varying schedules, etc.

A central question is whether the goals of having more graduates and increased student credit hours (enrollment), as asked in this question, is a reasonable set of goals. Lower effort approaches such as living with lower evening enrollments and cutting back the offerings can be discussed. Is 40-50 MBA degrees awarded annually about the right number for a business school with 2,000 undergraduate majors? What role does the medium-sized town play in finding the correct enrollment targets?

3. There are many explanations of Porter's "Five Force" or Industry Analysis model (see Porter, Michael E., 1980. Competitive strategy: Techniques for analysing industries and competitors. Free Press, New York.)

Here are some of the details which might be helpful in getting a more detailed discussion.

Intensity of Rivalry Among Competitors:

Number of MBA competitors?
 "Switching costs" (what it costs to leave one MBA program and start another)?
 Amount of dollars spent in MBA advertising?

Threat of Entry of New Competitors:

Cost to start up a new MBA program?

Barriers to entry – accreditation, faculty, technology, brick and mortar, etc.?

Substitutes

Degrees, certifications, etc. that have a similar impact on careers and education?
 Number of such substitutes available and attractiveness?
 Costs of changing from or to a substitute from an MBA?
 Uniqueness of the MBA?

Buyer Power

Number of customers for MBAs – and changes in these numbers?
 Perceived differences between suppliers of MBA programs?
 Price considerations?
 Switching ease – among rivals or substitutes?

Supplier Power

Number of suppliers of MBAs?
 Availability of degree in preferred format – online, time or place-bound, etc.?

Here are some comments about this specific case of WKU.

- a. *How intense is the rivalry between competitors for various MBA programs currently in the relevant market?* All of these forces have to be answered within the relevant parameters of the geographic position of WKU (Bowling Green, KY). The closest universities comparable in any way to WKU are found in Nashville, TN (50 miles) and Louisville, KY (110 miles). So, rival intensity for MBA night classes in the immediate area is nonexistent.

If students are considering a weekend or other “executive” MBA (EMBA) approach then it is possible that MBA students would be willing to drive to take Vanderbilt’s EMBA program (which is nationally ranked but is very expensive). EMBA student might drive since such programs have fewer than the normal meeting requirement by definition. In this case, there is some intensity and the advertising by UofL is mentioned in the case.

Online programs are “without walls” so University of Phoenix, and many others have large advertising budgets. So, one could argue that the rivalry is intense for online MBA students. There are many listings for online programs. “GetEducated.Com” maintains a good listing of accredited (AACSB) MBAs, and non-accredited (AACSB) MBAs, both links are listed in table 2.
- b. *What is the threat of the entry of new competitors in the relevant MBA market?* While there is little threat of new entrants in the immediate area for part-time night or full-time day (face to face) a student, there seem to be few barriers to entry for a new online program. Students can discuss what employers and the general population thinks about new-entrant online programs. Since the larger schools within two hours of WKU are already rivals with PMBA and EMBA programs (UofL and Vanderbilt) there is not much threat of new competitors on that front.
- c. *What is the threat of a substitute for an MBA degree?* There are lots of other degrees, both graduate and undergraduate. Some observers have said that the MBA degree was invented

so employees with other degrees, like engineering, could get a business education without getting another four-year degree. Within WKU students can pursue a graduate degree in Economics along with other master degrees in complimentary areas like Corporate Communication, Public Administration, Psychology, Sociology, and others. Certifications, job training, job experience, and continuing education units may all play some role in enhancing one's education.

- d. *What is the bargaining power of the customers for MBA degrees?* These two bargaining power questions are really about who has the best leverage: the buyer or the seller (the school or the student). Since the online MBA programs have both high and low cost providers students would be correct in saying that if price is important, the applicants have leverage or bargaining power. Outside the online option, it would seem that students have fewer choices therefore less leverage or bargaining power. Buyers are weak if they have high "switching costs" (cost of changing). Most colleges will only allow a student to transfer two or three classes between MBA programs. This means that there is a "point of no return" on an MBA degree which would force as student to stay with their program once they reached that point in their coursework.
- e. *What is the bargaining power of the suppliers of MBA degrees?* Suppliers (MBA programs) are weak if there are many competitors and if switching costs are low. In the online MBA market there are many competitors and switching or application costs are relatively low at least initially. There are far fewer competitors in the face-to-face MBA market in WKU's region. The supplier also has more power when there is a significant issue of differentiation. That is, one school would have more bargaining power in the market if that school was perceived at having a very different or better MBA program. If WKU enters the EMBA market, therefore, Vanderbilt will be perceived as offering a more prestigious degree and so WKU would have relatively less bargaining power in comparison.

4. As a result of the industry analysis, how successful are your ideas to improve the current MBA program likely to be? Do some of your recommendations face a more favorable environment than others?

Again, this will depend upon the ideas generated by the students to generate more graduates and student credit hours after they complete their SWOT analysis. WKU believed that the regional area was favorable for a set of small programs: PMBA and full-time. WKU also felt like it could compete with online rivals based upon its relatively low tuition but high quality (AACSB accreditation).

Part Two/Decision Point Two Answers

1. Low enrollment numbers in the online MBA program option force students to either downsize course offerings to match the actual enrollment or find ways to grow the enrollment numbers. For those who believe the demand is strong enough to keep 60 total students or so enrolled, which was the peak online enrollment in the online MBA at WKU, two basic approaches can be suggested: changes in program design and/or marketing.

Since a rival allows online MBA students to take more than 6 hours (two classes) in a single semester and that rival has increasing enrollments, the argument to make a program change allowing that is appealing. The fact that taking 9 credit-hours allows MBA students access to full-time student financial aid also appealing. The downside is any perception that the online version of the WKU MBA is a “diploma mill” degree. Faculty, MBA and other administration, alumnae, employers, and others all oppose any move that would clearly “cheapen” the quality and therefore value of the degree. So, the MBA program would need to guard its quality and the perception of quality in the public.

Another design feature is the novel approach of using all bi-term (7 week) courses. While it is popular among current online students, this is a little like asking customers eating in McDonalds if they like McDonald’s food. Allowing students to take 3 (or even 4) classes in a semester may prove impossible to most students if you have multiple classes in the same biterm. However, spreading a third class over an entire normal semester may make adding a third class more doable.

One design feature found in some online courses is the addition of an optional synchronous, time-bound, element. The first question asked about an online program is whether it is, in fact, all online. One of the next questions is whether there is some requirement to “show up” and perform work synchronously with others. Online learners typically want MBA programs to be asynchronous. However, when someone is inquiring about an online program they may have their comfort level enhanced if they know they could talk to their professor “live” or synchronously. The addition of “live office hours” may provide added comfort to people who otherwise believe they could not handle online courses.

Students may well have other ways to change the design of the current online MBA.

WKU increased its online advertising when seeking to increase its online MBA enrollment in Year 12. A \$7,000 investment in targeted advertising on a “leading online search engine” did not result in a single applicant. So, the solution is not found in just increasing online advertising or targeting the audience reached. At least, those solutions at that financial level did not bear results in this case. WKU also bought an enhanced presence on one or more websites that rate online MBA programs. This did bring in some applicants. WKU started to purposefully include the mention of its online option whenever it advertised any of its MBA program options.

So, students need to think of ways to improve marketing despite the mediocre outcomes discussed above. Improvement in the WKU MBA website and or special online materials just for the online audience is possible, for instance.

There certainly is a case to be made toward just paring back the course offerings to more adequately reflect current enrollments. Arguments for this rely on ease of implementation and “right-sizing;” arguments against include the inclination to grow a program option that is relatively small since a “right-sized” online program would only have 25-35 students. Arguments against cutting online offerings would also include what is perceived to be a growing appetite for online courses in the US.

2. Few MBA programs could withstand costs of \$40,000 a year for failing to enroll Trilateral (international) MBA students without some large payoff. There is little payoff in this situation so most students should suggest some alternate cooperative agreements where there is little or no financial risk. It is hard to justify continuing the TMBA arrangement due to the financial loss. “International reach” can still be built into the MBA program options. Students may struggle with coming up with workable ideas on how to incorporate an international experience into the

online option. Bilateral relationships using short or even semester-long visits to universities in other nations are commonly established. Another approach would be to include an international trip in the PMBA experience, a strategy used by other institutions.

3. A Professional MBA (PMBA) with 16 new students in each new 2-year cohort is financial doable. It could be that this accurately represents the actual demand at this point in the geographical region. That number may increase once more than one group has had time to graduate and become known in the community. Sufficient fees are collected to make the program viable, in at least some form, as long as at least 12 PMBA students are in the program through the second and final year. Since there is some turnover in PMBA students, this means that 15 is the lowest target size.

Students may be fascinated by “Telepresence” and other “immersive” videoconferencing approaches made possible with recent advances in life-sized HD and related video technology. Telepresence or immersive technology can be defined by having such high quality video and audio that the receiver has the illusion that she or he is actually there at another location. Interesting web overviews can be found at the websites listed in table 3. Application of telepresence into the educational environment should be obvious, but the relatively high costs at the current time make the best of this technology out of reach for many, if not most, colleges. However, the somewhat less elegant versions of these new products are affordable to many programs. Students may want to discuss how to maintain an excellent team-based EMBA program while bringing in a distant site through this technology.

Teaching Table 3 TELEPRESENCE OVERVIEW SITES
http://en.wikipedia.org/wiki/Telepresence
http://www.polycom.com/products/telepresence_video/telepresence_solutions/immersive-telepresence/index.html
http://www.youtube.com/watch?v=xGNj-xnyrPA&feature=related – presents a video presentation of the technology