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The Demise Of The Full-Time MBA

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I write about transforming education through digital learning

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For nearly two decades, Clayton Christensen of the Harvard Business School has been predicting that disruptive innovations would impact management education—and that even the likes of the Harvard Business School would feel their might. As recent headlines attest, that no longer feels so far away or like a crazy prediction.

Wake Forest halted its two-year full-time program in 2014. In August, the University of Iowa's Tippie College of Business announced it was shuttering its full-time MBA program. And in

October, the University of Wisconsin—one of the nation's oldest and most prestigious public business schools—suggested it might as well. Plenty of other schoolshave reined in other management programs they offer, "in favor of shorter, more specialized programs," according to Inside Higher Ed. Many sources acknowledge that there is a weakening in the market for the full-time MBA with applications dropping writ large.

The heart of Christensen's 1999 prediction lay through using three theories to understand what was likely to occur in the future.

Disruptive innovation

Similar to the rest of higher education, the cost of the full-time MBA has soared. Many companies—the customers of the MBA's student product—have increasingly been shut out, as they are unable or unwilling to recruit at campuses where they have had to pay starting salaries high enough that could allow students to pay back their loans for such an expensive program. That created nonconsumers—companies—looking for other management education solutions. Enter corporate universities and other arrangements powered by technology to move up-market over time—think everything from Lynda.com, Pluralsight and Udacity to General Assembly, Bellevue University and Arizona State University—for companies to supply their workers with the management offerings they needed to advance in their careers. Similarly, students have also adjusted, as they have realized the return on investment—in time and money—might just not be there unless they attended a top-tier MBA program. That realization shifted significant momentum to shorter part-time and more convenient online MBA programs, as well as other forms of management education (most recently in the form of Smartly's free-yet-premium MBA—full disclosure, I'm an advisor to the company).

Interdependence and modularity

In short, in the early years of an industry, when the service isn't good enough to satisfy the functionality needed in mainstream markets, the architecture tends to be interdependent and proprietary in nature. That is, for an organization to do anything, it has to do everything. As the functionality overshoots, however, what customers require, customers become less willing to pay for price increases. See above. What then happens is that the services tend to become modular—or unbundled—so that the winners can compete on the basis of speed, convenience and affordable customization, not raw functionality. True to the theory, corporate universities and other training programs utilize resources from a bevy of places—many cited above—and stitch them together in a variety of ways to make sure employees get what they need when they need it. The careful linear sequence of an MBA program from one source has become less necessary with the explosion in resources and ways to connect and utilize them.

Jobs to be Done

In essence, there are many Jobs for which students might hire management education. Just as newspapers were not disrupted by one thing, but by a flurry of services optimizing around different Jobs for which people hired newspapers—everything from help me sell a house to help me find a job to help me become informed and help me pass commuting time productively—so, too, could management education be disrupted by a variety of players as management education became increasingly modular. As Clay and I wrote in BizEd in 2008, students could hire a business education to help solve a "specific business problem or question; others [might] want to learn to be great general managers; many need credentials to obtain their next promotions; others want help switching careers. And still more people 'hire' a business program because they want to be associated with its brand and they want to acquire a prestigious alumni network." The disruption of management education started with that first Job, as it was relatively easy for businesses to provide answers to discreet challenges. Over time, businesses and a variety of partners have done more and more along the second and third Jobs. And part-time and online programs have gone up-market fast to provide access to more robust alumni networks and prestige without the opportunity cost of taking time out of the workforce to enroll in a full-time MBA program for two years.

What about Harvard?

But what about elite business schools? Although applications to MBA programs are down across the board, demand has exploded at top-tier MBA programs. Indeed, my own read has been that elite brands *in any sector* are in many ways immune from disruption because they derive their value from their exclusivity—that is, who they keep out of a program, not by serving a large volume of people. Disruption occurs when the volume is sucked out of a market into a new one. That said, elite brands can certainly get commoditized and lose their luster if they don't respond nimbly to exploding demand and new entrants. And in the case of Harvard Business School, it may have another vulnerability. Its executive education programs—high-cost programs that employers typically pay—help subsidize its full-time MBA program, which costs more than the school charges students. To the extent employers begin to realize that they can quickly snap together modular solutions from the exploding array of management education solutions to create far more customized—and thereby useful—trainings than an HBS executive education program can, I’m personally concerned about the school’s ability to keep up. Its two saving graces in my opinion are (1) if it can churn out meaningful, cutting-edge research that produces breakthrough insights for which companies will be willing to pay a premium, and (2) the success of its HBX CORe program, which seems to be pioneering a disruptive solution to serve nonconsumers of management education.

Although the path ahead is rarely straight and narrow, it helps to have sound theory to shed light on where the future is headed. Sound theory helps us see that we are heading to a future of higher performing disruptive innovations in management education with fewer full-time MBA programs.