



The University of
Nottingham

Spaces of business education and the (re)production of financial theory in practice

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**Financial business education for London's financial district: changing
demand and provision**

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Research aims and objectives

The aim of the project is to develop knowledge and understanding of the relationship between business education and financial services practice and its implications for the competitiveness of London as an international financial centre.

The research programme is divided into the following supporting objectives:

- Specifying the main providers of financial business education and training for financiers working in London's wholesale financial services sector
- Specifying the different teaching and learning strategies used in financial business education
- Specifying the ability of financial business education and training to meet the changing demands from financial services practice
- Exploring the potential scenarios for the future development of the professional financial education and training market.

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Introduction

The educational experiences of financiers have, in many ways, been defining features of the financial services sector in the City of London. For example, the period prior to the regulatory changes of 'Big Bang' in 1986 has been characterised as an era of 'gentlemanly capitalism' in which trust between financiers was fostered through their shared educational backgrounds at a select group of universities and schools. More recently, research has pointed to the growing number of maths and physics PhD graduates hired following the increasingly computational and technical nature of financial services associate, most notably, with the growing global derivatives markets. However, there has been no comprehensive assessment of the sector specificities of the contemporary professional financial educational market and its relationship to financial services practice.

In response, this project, which began in January 2008, studies leading financial education providers including business schools, specialist corporate education firms, professional associations and training consultancies. Its aim is to understand the way this growing financial education sector meets the needs of its clients in London's international financial district.

Outline of research completed

In addition to extensive analysis of quantitative data sets relating to the changing nature of financial business education, this project used in-depth interviews with financial business education providers and financial services practitioners. In total 90 interviews have been conducted to date with: investment bankers working in London (38 interviews); business school lecturers and managers in both the US and UK (36 interviews); human resource managers in investment banks in London (6 interviews); and educators and managers in for-profit specialist financial business education companies and charitable organisations in the UK (10 interviews).

From this extensive data-set of interviews, a number of important findings have emerged that help us to understand the changing nature of financial business education provision.

Research findings

1. Increased business education market segmentation

As finance has become increasingly specialist and technical in nature the generalist education offered by 'traditional' MBA programmes, often seen as the 'gold standard' of financial business education has faced increased competition from a range of other financial business education providers.

Our research to date suggests that the resulting *diverse* financial business education landscape can be divided by both the types of financial expertise being circulate and by the dominant education providers for each of these types of these forms of expertise.

As shown in table 1 the most important strands of this are:

- Technical and quantitative skills. These are typically taught by specialist training companies although business schools are increasingly offering Masters of Finance degrees in addition to MBA degrees. Research based post-graduate qualifications are also important.
- Soft skills. These range from well established skills such as leadership through to more psychological forms of expertise based around concepts such as 'emotional intelligence' and performance coaching. Although these are increasingly included in standard MBA courses, they are also taught by a wide range of specialist training companies that often specialise in one niche skill.
- Education aimed at ensuring individuals meet regulatory clearances. This section of the market is dominated by accredited courses and companies.

Table 1: Sectoral segmentation within financial business education in London

Financial expertise	Dominant financial education	Dominant education providers
Technical expertise	PhD MSc in Finance Joint initiatives between universities and financial institutes Specialist for-profit education boutiques	University MScs Numerate PhDs For-profit specialist education companies MBA joint ventures
'Soft skills'	For profit education companies and consultancies MBA programmes	Niche private education, training and coaching companies
Regulatory clearance	Accredited courses and qualifications	Accredited for profit education companies

2. London as a global 'education hub'?

Much of the policy interest in financial business education focuses on creating a global 'education hub' for financial services in London. Such hubs are also being developed in Singapore and Dubai.

This international dimension reflects the global nature of the financial services labour market. Our research suggests that the MBA remains an important qualification in facilitating this international mobility.

One way of 'crossing the pond' remains the MBA. They still value it more over there [in the US] so having a good one, ... from Harvard, Chicago certainly helps you enter those firms [investment banks] at a high level than I'm at here [in London].

Investment bank associate, London, September 2006

A typical clientele here is very international, there are people who want to work in the financial sector and the financial sector in a way isn't a particular country. It's obvious the City of London is part of the financial [sector] but students want to work in New York, Paris, Dubai and Hong Kong, part of the global network of financial centres and they come from all over the place. So increasingly the Far East, Eastern Europe and so on. Some stay in London, some go back home.

Business School Manager, London, June 2006

But

Our research also suggests that rather than creating internationally mobile financiers, business education can also tie individuals to particular places and particular firms.

2.1. Financial business education and corporate culture

Business education ties individuals to particular firms by training them in the corporate culture of their current employer. This education focuses on the social and cultural norms of their employer as well as particular working practices and techniques. This education takes place both at graduate entry through graduate training courses run in-house and further up the career ladder through contracted out training and education.

When you go on the quants [quantitative finance] courses they are tailored at the corporate level far more than they are at the city level so you learn about the approaches to risk that we as a bank will tolerate rather than what is 'normal' in London.

Investment bank vice president, London, September 2006

When I moved here to vice president I was sent on a leadership course – a set of away days – run by consultants and a lot of that wasn't about leadership in general but what leadership mean here [in a particular investment bank].

Investment bank vice president, London, August 2006

2.2 Financial business education and City cultures

Our research suggests that financial business education anchors financiers in particular international financial centres by training them in regulatory clearance that still has a strong national element. In response to the ongoing financial crisis this form of education may become more important.

The concern would be around the implementation of suppressing regulation within the UK market [in relation to the financial crisis]. And that will obviously have, I mean 'yes', you would see an increase in the amount of training because of increased regulation.

For-profit education company manager, London, September 2008

Implications for future research

- The financial business education is dynamic with new courses and providers emerging. How these developments impact on business schools and the nature and popularity of their MBA programmes deserves further research attention in order to understand the continued role of MBA degrees as the 'gold standard' of financial business education.
- At one level, financial business education supports international labour market mobility and the role of London as a financial business education hub. However, education can also temporarily anchor individuals in particular companies and international financial centres. Further research is needed on the relationship between these two processes in order to understand the future prospects for London as an international education and financial centre.
- The relationship between financial business education and the ongoing global 'credit crunch' is as yet unknown and requires further research attention. Whilst enrolment on postgraduate courses is typically counter-cyclical, firms often cut their training budgets during a recession. How these two processes play out in the unique current financial services market will be important factors in understanding the future trajectories of the financial business education sector in London.
- The regulatory response to the financial crisis is likely to have important implications for both London's financial business education sector and London's competitiveness as a leading international financial centre.