



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

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Exploring the global for-profit education industry in financial expertise

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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

As highlighted in briefing paper 1 (January 2009) the financial business education landscape has become increasingly diverse with providers ranging from boutique companies, multinational education firms and higher education institutions (Hall and Appleyard, 2009). Considerable research attention has been paid to higher education institutions, particularly business schools. However, much less attention has been paid to for-profit, multinational education firms. In response, in this briefing we explore how these firms have successfully expanded their operations internationally by creating new educational products and services that seek to compete with the more established business education found in MBA and Masters degrees taught by business schools.

Outline of research completed (June 2008 to September 2009)

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 geographies of for-profit financial business education.

Research findings: Specifying the for-profit financial business education sector

The for-profit financial business education sector has grown considerably beyond a small number of companies operating solely in their domestic market (Friga, et al, 2003; Universities UK, 2008). The exact number of business education firms operating in London is unknown because there are no legal requirements regulating entry into the market. However, the Financial Services Skills Council (FSSC) runs a voluntary accreditation scheme and in February 2009, 20 for-profit education firms and 23 individual sole-operators were registered (Hall and Appleyard, 2009). However the actual number of providers is likely to be significantly higher because the sector follows the organisational structure of other business service industries (such as law and accountancy) with a relatively small number of transnational corporations accompanied by a larger number of specialist boutiques and sole-operator providers.

This growth relates to two processes that have 'destabilised' the financial business education market beyond a reliance on the 'gold standard' of business schools in recent years:

1. The relationship between post-compulsory education and financial services, particularly investment banking, has changed significantly recently with an increased emphasis on continual education throughout the career life-course rather than relying on educational background.
2. Despite the continued value of MBA degrees as a form of management education in general, criticisms have emerged concerning their relevance within contemporary financial services.

These criticisms stem from the fact that the growing use of quantitative financial theory underpinning financial products such as structured finance and derivatives increasingly demands highly specialist mathematical skills that are argued to be too advanced to be taught on generic MBA programmes (FSSC, 2008; Hall, 2008).

Business schools have responded by establishing Masters in Finance programmes that explicitly focus on teaching research-led quantitative finance (Bradshaw, 2007). However, for-profit financial business education companies have also responded by developing a series of courses that specialise in precisely these higher-level applied quantitative finance and modelling skills. Moreover, the challenge of MBA course relevance has been exacerbated by the reputational damage business schools have suffered following the alleged role of MBA degrees in both the accounting scandals of the early 2000s and the more recent global financial crisis (see Salbu, 2002; Caulkin, 2008 respectively).

Examples of how for-profit education providers compete with business schools

Business School	For-profit Providers
Masters in Business Administration (MBA)	MBA in a day Chartered Financial Analyst Program
Masters in Finance (MiF)	Tailored quantitative finance programmes
Masters in Management (MiM)	Psy-knowledges and leadership courses

Source: research interviews

In the rest of this report, we consider how financial business education firms have developed these new forms of education services focusing on the quantitative finance and chartered financial analyst program markets.

Specialist quantitative finance education boutiques

This type of financial business education has grown rapidly from the late 1990s onwards following the increasingly technical nature of financial services, most notably through the rise of derivatives trading (see for example MacKenzie, 2006) and growing concerns about the relevance of MBA degrees as the following example demonstrates

The sort of love affair with the MBA seemed to be coming to an end [a few years ago] it comes back to the quant [quantitative] skills, MBAs are actually too general and what they [investment banks] are looking for often for entry level roles is people with Masters in something very specialised, it's not even just in finance, it may be computational finance or something very, very specific.

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In the UK, this research is also important because of growing concerns concerning the number and quality of highly-skilled numerate graduates emerging in SEM subjects (science, technology, engineering and medicine, see for example CBI, 2008). This was reflected amongst the human resources managers in investment banks we interviewed as the following example demonstrates

I guess very generally there has been actually a problem with British students coming into banking. We find that they are just not coming through the interview process or screening process [...] there is a slight concern especially on the ... UK M&A banking side, they are not seeing enough British students full-time coming into the organization and I think that's probably true across the board of most banks actually.

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Our research suggests that providers of specialised quantitative finance courses have responded to this decline in the perceived value of MBA degrees and the need to highly numerate employees through two strategies:

- (1) Focusing on teaching the *practical application* of quantitative finance rather than teaching experimental and abstract quantitative financial theory. Such a focus means that their courses are not based on well-established and possibly out of date financial theories that critics argue dominate MBA programmes.
- (2) Tailoring their services to the different corporate demands of different investment banks, something that business schools are beginning to respond to by offering corporate MBAs (Hall, 2008)

Multinational financial business education companies

Our research suggests that in contrast to boutiques that tend to focus on quantitative finance or specific forms of what the sociologist Nikolas Rose (1996) terms 'psy-knowledges' such as leadership and emotional intelligence education provided by large (typically multinational), well-established for-profit education providers tend to focus range of regulatory principles and practices as well as courses that lead to accreditation with professional bodies. There are two main elements to this:

- (1) Education, the completion of which is a regulatory requirement to practice as a financier

(2) Credentials and qualifications that whilst not essential to practice are widely understood within investment banking as enhancing the employability, career capital and career progression of individuals that hold them.

Our research suggests that the Chartered Financial Analyst Program created in 1963 is particularly important in challenging MBA degrees as the following example suggests

The one kind of qualification that has hit the marketplace by storm is the CFA which is these days becoming very much the benchmark qualification probably in preference to most Masters in Finance or MBAs which is a little bit controversial to say but that, I think, is probably the reality of the situation and I think its very much if you can get a Masters in Finance or an MBA, the first thing people ask is

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In particular the success of this credential was frequently attributed to the ways in which it differentiated individuals in a competitive labour market and as such, individuals were increasingly willing to study for this in their own time.

Implications for future research

- This bulletin has focused on the ways in which different types of financial business education companies have developed a range of new educational services and products that successfully compete with business schools' MBA and Masters in Finance provision.
- Our research reveals that crucial advantage held by these education companies have over business schools is the ability to tailor their courses to different corporate demands and geographical locations. Maintaining this flexibility is likely to be vital to the future success of the sector.
- Any regulatory changes made in the wake of the global financial crisis are likely to have a significant impact on the changing demand for educational services from business education firms and future research, knowledge and information will be needed on this to allow companies to plan the development of educational products and services in the future effectively.

Further reading

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