

Hult IBS Goes Global

A study of entry strategy in the MBA market

Abstract

The purpose of this thesis is to examine the structure and dynamics of the Master of Business Administration (MBA) industry and analyze how a new competitor can enter and establish itself in this market. The study is based on an inductive research method and a qualitative research approach. The research strategy used is a case study of Hult International Business School (Hult IBS). Starting in Boston in 2002, Hult IBS has rapidly opened campuses in three additional locations: Dubai, London and Shanghai, and has succeeded in being ranked number 31 globally in the Economist's Intelligence Unit's MBA ranking 2008. The analysis is derived from the theory of Industrial Organization and the Resource Based View on strategy. The study concludes that the MBA market is dominated by a few very strong brands and barriers to entry into the market of top tier business schools are very high whilst moderate for the rest of the market. The fact that many schools have goals that go beyond economic performance intensifies the competition and makes it hard for a school to earn profits. The results suggest that Hult IBS successfully entered the market by adapting a global approach to the market, bringing the one-year MBA model to the US and by using a proactive marketing and sales approach. However, many of the school's resources and capabilities are highly imitable and therefore not sustainable in the long run. Finally, recommendations are presented including that Hult IBS should focus on establishing stable quality of education through hiring full-time academic staff. This will in turn attract higher quality students and generate a more favourable and sustainable position in the rankings. The various efforts of Hult IBS should primarily focus on building the brand.

Key words: Hult IBS, MBA industry, entry strategy, Industrial Organization, Resource Based View, Positioning

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1. Introduction

The introduction aims to give the reader an overview and background of the thesis topic. In this section we also define the purpose of the thesis and the limitations. Also the structure of the thesis and content in each section are provided in the outline.

1.1. Background

The Master of Business Administration (MBA) market is a mature, whilst growing and changing, market. From being a North American phenomenon, MBA schools have spread to be offered in a variety of countries and formats. In recent years, there has been an upswing of new kinds of MBA programs entering the market. Nowadays, students can choose between one or two year full-time programs, part-time programs, executive, online, and distance MBA programs. Well-renown business schools that have been in the market for many years such as Harvard, Stanford and Wharton, do however still hold a strong position. Thus it is interesting to investigate how a new competitor can enter this mature and highly competitive market.

The MBA market itself is also interesting to study because business schools compete to attract good students and professors, rather than making profits (Von Bergen). In fact, most business schools that offer full-time MBA programs do so to be considered legitimate as a business school and do in fact lose money through their programs (Mårtensson; Roos). Moreover, institutions in the MBA space are highly pressured, being constantly evaluated by annual rankings from influential publications. Whilst companies within most industries are evaluated based on their financial performance, actors in the MBA market are judged on several different criteria such as quality of the program, student satisfaction, career opportunities after graduation, and post graduation salaries. This differentiates the MBA industry from most other industries and makes it especially unique and interesting to study.

We have chosen to focus on the Hult International Business School (Hult IBS) as our case study. Our reasons for doing so are threefold. Firstly, the school was bought in 2002 by Education First (EF), the world's largest private education organization. EF is mainly focused on language education and did not have any prior experience in business education when purchasing Hult IBS. This differentiates Hult IBS from many other actors in the market, since it did not start its MBA program to be considered a legitimate business school, rather it started a MBA school as it saw market potential. The CEO of Hult IBS even claims that the school is making a profit, which is very unusual in the MBA market. Secondly, Hult IBS is one of the first one year full-time MBA programs in the United States. One year full-time MBA programs originate from and are common in Europe, while two year MBA programs are dominating in the US. Thirdly, the school has also grown in a short period of time. Starting with a school in Boston, Hult IBS has opened campuses in three additional locations: Dubai, London and Shanghai. All of these were opened in quick succession. This indicates that Hult IBS is making a large investment in its MBA program and has found a working formula for entering this highly competitive market.

In order to study the MBA market and Hult IBS specifically we use Outside-in as well as Inside-out Perspective on strategy. Using Porter's Five Forces of Competition model and the Resource Based View we aim to identify critical external and internal factors influencing competition in the MBA market.

1.2. Purpose

The primary purpose of this thesis is to analyze how a new competitor can enter and establish itself in the MBA market, which is a highly competitive market where profitability is only one of many factors of success. To answer this question we use Hult IBS as a case study. During the seven years that the school has been offering MBA programs, it has opened four campuses in four different countries and in 2008 the school was ranked 31st globally in the Economist Intelligence Unit Ranking of full-time MBA. The secondary purpose is to analyze the structure and dynamics of the MBA industry as well as define the sources of competitive advantage. This serves as a supportive function for the main objective.

1.3. Delimitations

When mentioning the MBA market we are referring to full-time MBA programs and are considering other types of MBA programs as substitutes. Since one year and two year full-time MBA programs leads to an identical degree, we consider them to be in the same market. As Hult IBS only opened its schools outside of the US in the last couple of years, we will focus exclusively on the US MBA market, although we acknowledging the global nature of the industry. Moreover, we are not placing any emphasis on the academic content of MBA programs. We have also excluded operations, processes of strategy formulation and implementation, as well as management style. As we do not have access to any financial data we will not go into detail in this area.

We decided to focus on Outside-in and Inside-out Perspective¹ in this thesis and to exclude Inner-out and Outer-in Perspectives on strategy. The reason for this is that we want to study Hult IBS's positioning and competitiveness within MBA-market rather than examine strategy formulation, planning and implementation, which are the questions Inner-out and Outer-in Perspective on strategy deal with. Moreover, it was difficult to find empirical information on strategy formulation and therefore we feel that we do not have a good base for the Inner-out or Outer-in analysis.

1.4. Outline

Chapter two provides the reader with the methodology of the thesis; this includes the chosen research design, a description of the case selection and data collection, as well as an evaluation of the research quality. *Chapter three* presents the theory used in the analysis of the MBA market and Hult IBS. In *chapter four* the reader is presented with the empirical background that the analysis is based on followed by *chapter five* where our analysis is presented. *Chapter six* contains the concluding remarks of our thesis and *chapter seven* offers suggestions for further research.

¹ Outside-in Perspective is based on the analysis of exogenous factors influencing the firm and its strategy, while Inside-out Perspective focuses on internal context of the firm and its competitive advantage.

Throughout this document we will present data, arguments and findings in a consistent manner. As will be outlined in chapter three, the theory we are using takes three particular forms:

- Outside-in Perspective -to analyse the market and its effect on the subject.
- Inside-out Perspective -to assess the capabilities and strengths of the subject.
- Subject positioning - to analyse how the subject fits within the market.

There is a conscious aim to inter-relate the different elements of this thesis in an attempt to go beyond a simple data collection and analysis exercise, to creating a useful cohesive document as a reference for further study.

2. Methodology

This section provides a description of the methodology used in this thesis and a motivation for the chosen research design. Furthermore, we argue in favour of an inductive and qualitative single case study and provide the reader with a justification of our case selection and data collection techniques. The chapter finishes with a discussion of the overall research quality of the thesis.

2.1. Research Design

2.1.1. Research Method

We have chosen to use a qualitative research method for this thesis. One of the reasons for this is that it allows us to study a situation where the link between the cause and effect is not evident which is in line with our purpose (Yin, 2003). A qualitative research method is also useful for our purpose since it allows us to gain deeper knowledge of the object of our study, instead of analysing a number of subjects on the surface (Holme and Solvang, 1997). Our study could not be done in an experimental setting or through a survey since the data could not easily be communicated through a short answer questionnaire or study. Instead data was collected in a relatively unstructured and interactive way through interviews with a few selected people (Merriam, 1994).

2.1.2. Research Approach

Two approaches can be used when conducting research: deductive and inductive (Andersen, 1998). A deductive approach is defined as testing of a theoretical proposition by building hypotheses from the existing theory. While, in an inductive approach, the study starts with an observation of a phenomena followed by formulation of a hypothesis that is grounded on the empirical findings and existing theoretical frameworks (Ibid).

We have chosen an inductive approach since we are interested in understanding the position of Hult IBS in the MBA market. Therefore, we begin with an observation and study of the company and the MBA market. We analyze this by using our chosen theoretical framework and by trying to fill in the theoretical gaps we encounter.

2.1.3. Research Strategy

The main questions that we try to answer are “how” and “why”, hence our paper is of explanatory nature (Yin, 2003). Since we investigate the position of a company and the market conditions, we are focusing on a phenomenon in a real-life context and therefore we have little control over events. This approach lends itself well to a case study type of research strategy. Moreover, our research is based on a single case study. This is a preferable approach when the case represents an extreme or unique case (Yin, 2003). As Hult IBS has positioned itself on a mature market in a short period of time, we consider it a unique case worth investigating.

2.2. Case Selection

When we first started the process of determining a subject for our thesis we were interested in studying a Swedish company that has grown to be active on a global market. One of the first companies that came to our mind was Education First (EF). EF is a Swedish company that has grown to be the world's largest private education organisation.² The company offers educational travel, language learning and educational and cultural exchange programs worldwide. From its start in 1965 EF has grown to be a multinational group with more than 3000 full-time staff members.³ After taking a closer look at the company, we discovered that EF had entered the MBA market in 2002 by acquiring an MBA school, Arthur D. Little Business School, in the United States, under the subsidiary Hult IBS. In just a few years Hult IBS has succeeded in being ranked number 31 in the world in the Economist's Intelligence Unit's MBA ranking 2008.⁴ Hult IBS's rapid entry into the mature MBA market is interesting and quite unique, making it an appealing case to study.

2.3. Data Collection

Both primary and secondary data serve as a base in the empirical section of the thesis. The primary data is the original data collected specifically aiming for the purpose of the research. It usually includes experiments, interviews, observations and surveys. Secondary data consists of journal articles, books, online data and the like and does not always reflect the aim of the research (Ghauri and Grønhaug, 2005).

Both the primary and secondary data sources described below were specifically chosen because they lead towards an understanding of the strategy of the school and the market itself. Other sources were considered but resulted in inconclusive and/or biased information. As a result this final thesis is not based on additional data such as interviews with students and online blog posts.

2.3.1. Primary Data

Interviews are one of the most vital sources of information when conducting a case study, especially when the event detail cannot be observed directly (Yin, 2003). Our research concerns examination of aspects such as a specific company's recourses and capabilities and we have chosen to use interviews as a source of primary data since we believe that interviews are the most suitable method considering our purpose. We used in-depth interviews to get information about market conditions and development. Both of us were present in all interviews which helped us to better understand and interpret the answers as well as reduce bias.

To begin with, we started the process of primarily data collection by contacting several employees at Hult IBS by e-mail and telephone with the purpose of asking to conduct interviews. Our aim was to

² www.ef.com

³ www.ef.com

⁴ <http://mba.eiu.com/index.asp?layout=2008rankings>

interview personnel at different levels of the company in order to get a good overall picture of both strategic and operational activities of the school as well as different views Hult IBS has on its development and competition. We were given the opportunity to conduct two interviews with Hult IBS, one with the Chief Executive Officer (CEO) of Hult IBS and one with the Head of Recruitment (of students). These interviews were conducted over telephone because of the geographical distance between Stockholm and Boston. Since we have interviewed only two people working at Hult IBS, we clearly understand the risk that the information can be biased to a certain degree. Our reason for only conducting two interviews with employees at Hult IBS is due to the fact that the school agreed to give us two interviews on the premise that we did not conduct interviews with any other employees. We would have liked to conduct more interviews to strengthen the validity of the thesis. The two interviewees at Hult IBS do however possess knowledge of the strategic issues that this thesis investigates. Furthermore, we discussed all the answers thoroughly and crosschecked with the information from secondary sources where it was possible.

In order to get high-qualified and dynamic information about the MBA industry, we also performed three interviews with personnel at Stockholm School of Economics (SSE) that all have been, or currently are, involved in the development of the MBA program at SSE and therefore are knowledgeable within the field. These three interviews were conducted in person and both of us were taking notes to ensure a higher level of accuracy.

We used semi-structured interviews where the main questions to be asked and people to be interviewed had been determined beforehand (Ghauri and Grønhaug, 2005). However, we also tried to be flexible and open for different discussions that came up during the interviews. Many of the questions were of an open-ended nature and aimed to find out the respondents' opinions about events or insights related to certain occurrences (Yin, 2003).

A summary of conducted interviews can be seen in the table below:

Respondents	Title	Date	Duration (minutes)
Hodges Stephen	CEO Hult IBS	24/11-08	120
Huang Alice	Global Head of Recruiting Hult IBS	14/11-08	45
Mårtensson Pär	Assistant Professor Stockholm School of Economics	18/11-08	60
Roos Johan	Professor Stockholm School of Economics	19/11-08	60
Von Bergen Anne	Senior Advisor Stockholm School of Economics	10/12-08	60

Table 1. Overview of conducted interviews

2.3.2. Secondary Data

We used secondary data to compliment our primary data and gain a better understanding of our research topic. Journal and newspaper articles in particular were extensively used to get a broader and deeper understanding of MBA industry and the different actors involved. Ranking statistics and student surveys were also used and applied to understand competition within the industry. Ranking statistics as well as newspaper articles were utilized to get a more neutral and unbiased view on Hult IBS than we could get from our primary data.

2.4. Quality of Research

Yin (2003) suggests four criteria for testing the quality of research: construct validity, internal validity, external validity and reliability.

2.4.1. Construct Validity

Construct validity concerns the use of sufficient operational set of measures that are appropriate for the research purpose and the removal of subjective data (Yin, 2003). There are three different tactics to improve construct validity; use multiple sources of evidence, establish a chain of evidence and have key informants review the draft of the case study report. In this study, we used several different kinds of sources of information such as interviews, academic articles and surveys. We also compared and evaluated these sources and let our interviewees review the information to make sure that it was correct.

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2.4.2. Internal Validity

Internal validity is concerned with establishment of a causal relationship between conditions and variables (Yin, 2003). To improve the internal validity, we used different kinds of sources to make sure that a wealth of different explanations and possibilities was been considered. We also compared the different sources to make sure that they are convergent and that the inferences seem consistent. It is however worth mentioning that we to a large degree relied on interviews when it comes to information about Hult IBS as little secondary information was found about the school. Moreover, we have only mentioned the critical factors that we find to be relevant and hence, might have overseen some important aspects.

2.4.3. External Validity

External validity deals with indication of whether the results can be generalised beyond the specific case (Yin, 2003). In this thesis we use a single case study and it can be discussed whether the findings can be generalised and taken out of its specific contexts. We do however believe that the findings can be applicable for other new actors in the MBA market as well as actors that are entering other similar and highly competitive market where profitability is only one of many factors of success in general.

2.4.4. Reliability

Reliability concerns how much difference there is between the observed and real value due to haphazard errors (Söderlund, 2005). High reliability implies that if later investigator where to repeat the study, it would yield the same findings and conclusions. The goal of reliability is to minimize the biases and errors in a study (Yin, 2003).

To improve reliability of this study we held semi-structured interviews. All interviews were conducted with one person at the time so that possible biased caused by group behaviour could be prevented. Both of us where present at all of the interviews, reducing possible interpretation errors or biases. It is however worth mentioning that not all questions where planned beforehand, rather they spurred out of the individual interview context. To reduce bias towards Hult IBS, we talked to actors outside of Hult IBS to get their insights into the market conditions.

3. Theoretical Framework

There are several theories in recent works over the past 20 years covering interesting analysis of organisations and how they interact with their environments. The following section combines thoughts from these as a basis for the analysis covered in later chapters.

Regnér (1999) reviewed many of these theories and concluded that together the Industrial Organization (IO) theory and the Resource Based View (RBV) approach are the most influential strategic management research directions. As a result, these theories have become the basis for analysis of this type of case.

Since the purpose of this thesis is to study competition in the MBA market, it seems natural to start with an Outside-in strategic analysis to get a deep understanding of the external factors influencing the market environment and the firms acting on it. Hence, the theory of Industrial Organization (IO) is examined. We do however not believe that industry characteristics can solely determine the strategy and position of a firm and therefore we also examine internal resources and capabilities of a firm within the framework of the Resource Based View (RBV). Thus we also perform an Inside-out analysis.

Within this section and throughout this thesis we have structured discussions and comments consistent with this approach. First we consider the external market which we have labelled as Outside-in Perspective, then the internal capabilities which has a corresponding label of Inside-out Perspective. You should notice a consistent flow of this approach to make this large document easier to read and follow.

Section 3.1.1 specifically deals with the Outside-in Perspective which we is combined with Section 3.2.1 Inside-out Perspective to form the basis of our data collection in Section 4. Section 3.1.2, dealing with positioning of a firm, is used for analysis in Section 5 and applied to the results of our analysis based both on the Outside-in and Inside-out Perspective.

It is for this reason specifically that we have used the terms Outside-in and Inside-out rather than IO and RBV as these do not let us separate positioning as a later analysis which can apply to both perspectives.

3.1. Industrial Organization

Edward Mason and Joe Bain largely introduced and pioneered the concepts of Industrial Organization. They enumerated concepts such as barriers to entry, concentration, limited information and government actions (Perloff et al., 2004).

During the beginning of the 1980's Michael Porter (1983) started to apply the concept of Industrial Organization which resulted in the well known "Porter's Five Forces of Competition" model which has become commonplace for strategic analysis.

The remainder of this section discusses in more detail the theory behind IO that we will use: Competitive Forces and Positioning. These are both in the field of IO and Porter lead much of the

research within this area, however from an analysis perspective we will separate them as described above.

3.1.1. Competitive Forces

Michael Porter's model *Five Forces of Competition* can be used to analyze the external environment of a firm. The attractiveness of the industry and the firm's position within that industry are the most important factors determining the firm's performance in the market (Porter, 1991). An industry's attractiveness partly consists of factors that firms can not always influence. A firm can however change and improve its position within an industry through its strategic choices and thus shape its environment (Porter, 1985).

Porter (1985) identifies five forces that shape every industry and determines the intensity and direction of competition and therefore the profitability of an industry. The strength of each individual force can vary across industries and change over time as an industry grows, and not all of the forces are equally important for different industries (Ibid).

As Porter (1985) explains, each firm strives to gain a profitable and sustainable position within the industry its active on in order to defend itself from the influence of the forces which determines the competition within an industry. The strongest competitive force(s) determine the profitability of an industry and become the most important factor(s) to strategy formulation. The most salient force is however not always obvious (Porter, 2008).

Below, all of Porter's five competitive forces are presented:



Figure 1. Porter's Five Forces of competition, (Porter, 1985)

Rivalry among Existing Competitors

Competition among existing firms can have great impact on the attractiveness and profitability of an industry (Porter, 1991). The degree to which rivalry drives down an industry's profit potential depends on the intensity with which companies compete and the basis on which they compete (Porter, 2008). The intensity of rivalry increases if there are high exit barriers, industry growth is slow and competitors are numerous and equal in size and power (Porter, 2008). In an industry where the growth rate is relatively low, companies must steal market shares from competitors in order to expand, which can

intensify competition (Besanko et al., 2007). In an industry where competitors are equal in size and power there is a significant risk of competitors stealing market shares from one another, as no one takes the lead (Porter, 2008). Hence, due to high exit barriers, companies in a market may continue competing even though they are earning low or negative returns further intensifying competition (Ibid).

Rivalry can take many different forms including price discounts, new product introductions, advertising campaigns and service improvements (Porter, 2008). All in all, competition can either be based on price or on other dimensions such as, for example, product features and brand image. If the products/services in the market are highly differentiated and the costs of switching between products are high, the competition will probably be based on other factors than price. However, in the opposite case, the incentives to lower the price and through that increase market shares are high (Besanko et al., 2007).

Another significant factor in determining the basis on which firms compete is seller concentration. If the seller concentration ratio is high, there are few actors that dominate the market. Those situations often lead to price coordination and similarity in pricing since firms are depended on one another and it becomes hard to initiate price cuts. Instead of focusing on price, competing firms focus on image and new product development in such situations (Grant, 2005).

Threat of Entry

New entrants can be a threat as they bring new capacity and desire to gain market shares which puts a pressure on prices, costs and the rate of investment necessary to be able to compete (Porter, 2008). Furthermore, the existing demand will have to be divided between more sellers which lead to increased rivalry (Porter, 1991).

The threat of entry depends on the level of entry barriers, which are advantages that incumbents have relative to new entrants. There are seven major sources to entry barriers and the most important sources for our analysis are presented below (Porter, 2008):

- *Economies of scale* can appear on the supply or demand side. It can either imply that production in larger volumes leads to lower cost per unit or that buyers' willingness to pay for the firm's products increase with the number of other buyers who supports the firm.
- *Capital requirements* and the need for large financial investments in order to be able to compete can be an important obstacle for newcomers.
- *Incumbents' advantages independent of size* is another entry barrier. Examples of such entry barrier are brand loyalty and reputation. According to Porter (1979), new entrants must make large investments to establish a strong reputation and create brand loyalty. Irrespectively of how much money and time the firm invests in advertising, it may take a long time to build brand awareness.

Power of Suppliers

Porter (2008) points out that "powerful suppliers can squeeze profitability out of an industry" (p.82). If the suppliers are few and have high bargaining power they can capture more of the value for themselves by charging higher prices or limiting quality. A supplier possesses high power if:

- *The supplier group is more concentrated than the industry it sells to*
- *Firms within industry face high switching costs in changing suppliers*
- *The supplier group does not depend greatly on the industry for its revenues*
- *There are no substitutes for what the supplier group provides*
- *The supplier group can credibly threaten to integrate forward into the industry*

Power of Buyers

The bargaining power of buyers regards customers' ability to negotiate a price that could squeeze out a firm's profit margins (Besanko et al., 2007). Additionally, powerful buyers can demand better quality and more service and in general play industry participants off against each other (Porter, 2008).

The customer group has negotiating power if:

- *There are few buyers or each one purchases volumes that are large relative to the size of a single vendor*
- *The industry products are undifferentiated and standardized*
- *Switching costs in changing vendors are low*
- *Buyers can credibly threaten to integrate backward and produce the industry's product themselves*

It is worth mentioning that customers are more price sensitive if the product that they purchase is undifferentiated, expensive and cover a significant proportion of their disposable income (Porter, 1996). In that case, access to information about the seller's price and costs can be an important factor as transparency of that information lead to additional bargaining power of buyers.

Threat of Substitutes

According to Porter (2008), "a substitute performs the same or a similar function as an industry's product by a different means" (p.84). If a substitute exists in the market, competition in the industry will be intensified (Besanko et al., 2007). It is especially important to pay attention to substitutes that tend to improve their price performance trade-off to the industry's product (Porter, 1980 and 2008). "The better the relative value of the substitute, the tighter is the lid on an industry's profit potential", Porter points out.

Implications for Strategy Formulation

"Understanding the forces that shape industry competition is the starting point for developing strategy", Porter (2008, p.88) states in his article "The Five Competitive Forces That Shape Strategy". Strategy can thus be viewed as building a defence against competitive forces or finding a position where the forces are weak. Deep understanding of the competitive forces in an industry can also open up opportunities to exploit industry changes by spotting and claiming new positions in the industry (Porter, 2008).

3.1.2. Positioning

In order to compete successfully in the long-run a firm must choose a suitable position (Porter, 1980). A suitable and attractive position is, according to Porter (1991), a position that allows a firm to possess

competitive advantages over its rivals. The fit between the selected strategy and the firm's resources and strengths can have great impact on the firm's profitability.

There are two basic types of competitive advantage that a firm can possess: low cost or differentiation. These two types of competitive advantage, combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, or focus. The focus strategy has two variants, cost focus and differentiation focus (Porter, 1985).

Target Scope	Advantages	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Figure 2. Porter's generic strategies, (Porter, 1985)

Cost Leadership Strategy

Firms following the cost leadership strategy set out to become low cost producer within the industry. Firms that follow this strategy put emphasis on reducing costs in every activity in the value chain (Porter, 1985). Attaining cost leadership usually implies emphasises on economies of scale and cost reductions in areas like sales, marketing, and research and development. If the competing products or services are significantly undifferentiated and selling at a standard market price, the firm with the lowest costs will earn the highest profits (Ibid).

Differentiation Strategy

A firm following a differentiation strategy is trying to create something that is valued by consumers and perceived as unique in the industry. Differentiation can be achieved in many different ways, i.e. through better service levels to customers, brand image, location and/or sales channels. A firm with differentiated products or services can charge a higher price compared to some of its competitors, but it may also face higher costs, i.e. in form of increased spending to promote a differentiated brand image of its products or services (Porter, 1980).

Focus Strategy

A firm following the focus strategy selects a segment or a group of segments in the industry and tailors its strategy to serving them exclusively. A firm may for instance choose to focus on a specific niche in the market and offer specialised products for that niche or to serve a particular geographical market. A firm using the cost focus approach, would aim for a cost advantage in its target segment. A firm using the differentiation focus approach aims for differentiation in its target segment (Porter, 1980).

Stuck in the Middle

According to Porter (1980), a firm that fails to choose between cost leadership and differentiation will suffer financially because of the lack of competitive advantage. The profits will be bid away in order to be able to compete with low cost producers, or the firm will lose high margin business to firms who achieve better differentiation. There are however some disagreements in the research regarding this. Grant (2005), for example, states that market leadership is often held by a firm that assembles effective differentiation and low cost in order to maximize customer appeal.

3.2. Resource Based View

The resource based view (RBV) has shifted strategy literature away from external factors toward a firm's internal resources as a base of competitive advantage (Wright et al, 2001). The RBV explains how a firm's resources drive its performance in a dynamic and competitive environment. The concept is to look both within a firm and also how the firm interacts within a competitive environment. The RBV views all companies as different since no two companies can hold the same experience, acquired the same assets and skills or built the same organisational culture (Collins and Montgomery, 1995). Grant (2005) outlined that a firm's resources are critical when considering the performance of a firm and that the strategy needs to be consistent with the resources and capabilities it controls. The RBV is a framework by which analysis can take into consideration the key elements that comprise significant resources and capabilities, which may through effective strategy lead to a competitive advantage. In the RBV, resources and capabilities are viewed upon as the determinants of growth and profitability (Grant, 2005).

There are two basic assumptions that the RBV rests on. *Firstly*, firms within an industry are heterogeneous when it comes to the strategic resources they control. *Secondly*, when these resources are not perfectly mobile across firms, it results in long-lasting heterogeneity (Barney, 1991). The RBV helps us consider the collections of capabilities and assets within a company, and then creates a framework of measures by which we can assess the tangible value of these in a competitive environment.

Over time, two approaches to RBV analysis have emerged, the classical and the dynamic (Regnér, 1999). The classical approach is static in its nature (Foss and Ishikawa, 2006) and focuses on firms' existing capabilities, whilst the dynamic approach focus on the development of a firm's capabilities. As the

classical approach focuses on a firm's existing resources, the dynamic approach is, due to its process based nature, considered to be better suited for analyzing how a company adapts its resources and capabilities over time (Amit and Schoemaker, 1993). The later approach will be used in the analysis.

Resources and Capabilities

A firm has both resources and capabilities and it is important to distinguish between these. Barney (1991) defines resources as "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm" (p.101). Resources are however generally defined as the productive assets owned by the firm whilst capabilities are what the company can do. We will use the later definition in our analysis. When resources work together they can create an organisational capability, which can become a competitive advantage. Hence, it is the firm's capabilities that are the essence of superior performance (Grant, 2005).

Barney (1991) argues that a company has the potential to generate sustained competitive advantage from resources that are valuable, rare, inimitable, and non-substitutable. A resource is valuable when it helps to improve the firm's efficiency and effectiveness. The conditions under which resources are valuable are context dependent. A resource also has to be rare among the firm's current and potential competitors to provide competitive advantage, if not; valuable resources only provide competitive parity⁵. Moreover, a resource must be imperfectly imitable, which it can become either through unique historical conditions, causal ambiguity, or social complexity. Finally, valuable, rare and difficult-to-imitate resources can be a source of sustained competitive advantage to the extent that there are no strategically equivalent resources, that is, they are non-substitutable (Ibid). Moreover, Collins and Montgomery (1995) state that there are three fundamental market forces that determines the value of resources and capabilities; scarcity, appropriability and demand. Resources can not be evaluated in isolation as their value is determined in the interplay with market forces (Ibid).

Grant (2005) identifies three types of resources: tangible (financial and physical), intangible (technology, reputation, culture) and human (skills/know-how, capacity for communication, collaboration and motivation). Intangible resources are often more valuable than tangible resources since they are characterized by a lower level of visibility in comparison to tangible resources. As a result, intangible resources are much harder for competitors to imitate.

Brand names and trademarks are intangible assets in form of reputational assets, i.e. their value is in the confidence they infuse in consumers. This value is seen in the price premium that consumers are willing to pay for a branded product over an unbranded or unknown brand (Grant, 2005). Additionally, a firm's reputation is important for getting support from employees, investors and governments (Ibid).

The human resources in a firm are the effort and expertise offered by its employees. Human resources are appraised at the time of recruitment and throughout the employment. Organisation are decreasingly relying on formal qualifications and years of experience and more on attitude, motivation,

⁵ The term competitive parity is usually referred to as the idea that one should defend against competition by spending as much (or as little) as one's competitors on (among other things) advertising

learning capacity, and potential for collaboration. When hiring, firms identify the set of skills, content knowledge, attitudes, and values associated with superior performers within a particular job category, and then assess each employee against that profile (Grant, 2005).

To identify a firm's capabilities one can look at the principal functions of the company and identify capabilities attributed to each function (Grant, 2005).

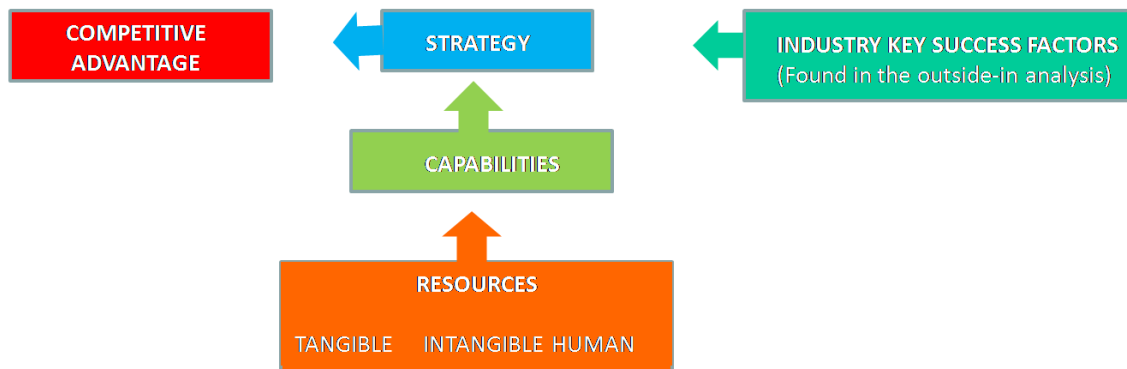


Figure 3. The link among resources, capabilities and competitive advantage, (Grant, 2005)

Dynamic Capabilities

Tallman and Fladmoe-Lindquist (2002) offer a dynamic perspective on capabilities. The perspective presents an explicit argument for the importance of both exploiting current capabilities and developing new capabilities to create sustainable competitive advantage. Thus, from this perspective, it is not enough to have unique and valuable resources and capabilities. Rather, a firm will sustain a competitive advantage only if it can continue to develop new capabilities in the face of changing environment and evolving competition (Ibid). This implies being able to integrate, reconfigure, and gaining or releasing resources (Eisenhardt and Martin, 2000).

Competitive Advantage

Independent of the source competitive advantage it can ultimately be attributed to the ownership of a valuable resource that enables the firm to do things more effectively or more cheaply than its competitors (Collins and Montgomery, 1995). Thus, a firm with a competitive advantage enjoys superior performance relative to its competitors (Barney, 1991). The return of a firm's resources and capabilities depend upon two factors: *Firstly*, the sustainability of the competitive advantage, and, *secondly*, the ability of the firm to seize the rents earned from its resources and capabilities (Grant, 1991). Only resources and capabilities that are scarce and valuable can lead to competitive advantage (Grant, 2005). There are four characteristics of resources and capabilities that are important determinants of competitive advantage: durability, transparency, transferability, and replicability (Grant, 1991).

Durability is the rate at which the underlying resources and capabilities that lead to the competitive advantage, depreciate or become obsolete. Technological resources tend to become obsolete relatively quickly whilst reputation, both brand and corporate, depreciate relatively slowly.

Transparency - a firm's ability to sustain a competitive advantage depends on the speed in which other firms can imitate its strategy. Imitation requires answers to two questions. Firstly, what is the competitive advantage of the successful rival and how is it being achieved? Secondly, can competitors assemble the required resources and capabilities that are required to imitate the successful strategy of a rival? If these questions are easy to answer there is a transparency of the competitive advantage.

Transferability – if firms, on similar terms, can acquire the resources necessary for imitating the competitive advantage of a successful rival, the rival's competitive advantage will be short lived.

Replicability – imperfect transferability of resources and capabilities limits a firm's ability to buy the means to imitate success. Some capabilities appear simple but are in fact based upon highly complex organizational routines, and are therefore difficult to replicate.

The firm's resources are a significant element in the success or failure of a positioning strategy within a market. It is for this reason that we use the RBV in our Inside-out Perspective combined with our Outside-in Perspective before we analyze and recommend on the most appropriate positioning strategy.

3.3. Summary

- Outside-in Perspective: industry structure significantly effects profitability and performance of the firms within the industry. The Five Competitive Forces determine industry performance and help to determine a firm's position within an industry.
- Inside-out Perspective: important resources and capabilities are those which are durable, difficult to identify, imperfectly transferable, and not easily replicated.
- Positioning: In order to improve its relative position a firm may use one of the three generic strategies: cost leadership, differentiation or focus.

4. Case Description

The following chapter is divided into two parts. The first part provides an overview of the MBA market and the second part describes Hult IBS, the subject of this study.

When considering the market, different MBA programs, firms, and marketing activities are described in order to describe the dynamics and characteristics of the industry. All these factors are relevant for the discussion of Hult IBS's position and strategy later in chapter 5.

The description of Hult IBS provides an insight into the school's history, operations and future plans.

An industry overview is critical for our Outside-in Perspective for the analysis of external factors influencing the competition in the MBA market and the section about Hult IBS is crucial for analysing internal factors in our Inside-out Perspective. Together both are then used to consider positioning.

4.1. Industry Overview

Global Business

MBA education started out as being a North American phenomenon and remained so throughout most of the 1980s and even a little into the 1990s (Schmutter, 2004). During this time "foreign" students went to the United States and Canada to earn an MBA. These groups were however not representative of their home countries, many of them were employed by internationally oriented companies that sponsored their education and others belonged to their countries social and cultural elite (Ibid). As inventors of the MBA degree, North American schools were classical exporters and most of them did not put efforts into recruiting students from abroad (Ibid). This changed, and from the 1990s, MBA education grew to become what is now a global business (Roos).

The level of maturity of the MBA market differs between different regions and in North America the MBA market is more mature than it is in Europe and Asia (Von Bergen). Overall, the competition in the MBA market in North America is higher than in Europe, however there are top business schools both in Europe and the United States (Mårtensson).

Substitutes and Different kind of MBAs

As the MBA market has matured, the degree has grown from only being a two year full-time degree to be offered in a variety of formats (Bisoux, 2006). This enables more people to find a MBA education that fits their needs and objectives. Besides increased flexibility, more advanced technology lies behind this change by enabling collaboration across borders and spurring the globalization process (Ibid). Today, students can choose from taking one or two year full-time programs, part-time programs, executive programs, and online and/or distance learning programs (Syed, 2006). Moreover, potential MBA students can also choose to take a two year Bologna Master or a Masters degree (MSc) from a famous university, which does not require any work experience, or get their education from a corporate university as these can be seen as potential substitutes to pursuing an MBA (Roos).

Employers do however differentiate between the MBA, MSc, and other specialized master's in business program degrees. An MBA graduate with one to five years of work experience is likely to receive a higher salary than other graduate students with similar work experience. Additionally, MBA graduates typically receive more responsibilities and leadership roles.⁶

There are trade-offs between taking a two year and one year program (Crainer and Dearlove, 2001). The biggest trade-off is that it is difficult for students to have an internship when enrolled in a one year program. They will also have less time to look for a job as there is less vacation time in one year programs. Furthermore, one year programs are more intense, which makes it easier to fall behind. The opportunity costs are however lower for one year programs as you only have to take one year off from work (Hodges).

Part-time MBA programs are a good option for professionals and students with scheduling needs (Syed, 2006). Executive programs are directed towards a more experienced audience than the other programs and just as part-time programs they are more accommodating to working professionals. Today, many corporations will sponsor employees' enrolment in executive programs to improve their employees' skills or to teach new required skills (Ibid). Part-time and executive programs offer some advantages to students. Firstly, they can have lower opportunity costs as the participants can work at the same time as they take the degree. Secondly, they allow students to implement what they learn more eagerly in their jobs. At the same time, full-time programs offer students more time to process the information (Bisoux, 2006). Hence, there will always be a trade-off in-between the different programs.

Differentiation

As the MBA market has matured and the competition for students has increased, business schools have started to work to differentiate themselves from each other (Moore, 2007). In order to be successful, business schools have to capitalize on all technological resources and available tools to create their own competitive contexts in which to compete (Westerbeck, 2004). Thomas Moore (2007) at Northeastern University argues for taking a product development approach to education and shape the program after changing market needs and to differentiate business schools from each other. Babson is for example focused on entrepreneurship⁷, Kellogg is highly regarded for marketing while Chicago is famous for turning out number crunchers (Crainer and Dearlove, 2001). As more variations of the MBA degree are available, having an MBA is not as important as which business school it is from and what kind of program one has pursued (Mårtensson). It is branded products that top business schools sell and schools are fully aware of this.

Costs and Revenues

Most American business schools do not operate for profit.⁸ Without the foundation grants, gifts and subsidies they receive, the vast majority of schools would be losing money each year. As an example Tuck School of Business at Dartmouth Dean, Paul Danos, says that it is impossible for private schools

⁶ <http://www.gmac.com/NR/rdonlyres/3FA0C157-804A-4A29-8DF3-D6163724BB79/0/CorpRecSurvey08SurveyReport.pdf>

⁷ <http://mba.babson.edu/info/whybabson.aspx>

⁸ http://www.deanstalk.net/deanstalk/2006/12/generating_reve.html

without government support to pay for the way they approach education by tuition fees.⁹ At Tuck, tuition covers less than 50 per cent of the expenses, and most of the school's revenues come from non-tuition sources such as endowment earnings, annual giving, and profits from non-degree executive education programs. In fact, many business schools offer a MBA program to be legitimate as a business school, even though they do not make any money on it.

"What I have heard from several business schools is that they say that they have to offer an MBA to be seen as a real business school, this is partly to qualify in certain rankings and partly to offer the entire business school portfolio. Many business schools are likely to run an MBA to break even, but are not counting on a large marginal" - Mårtensson

Whereas most business schools bank their reputation on their traditional two year full-time programs, they often make their money on the more profitable array of part-time, evening and online options (Bisoux, 2006).

Faculty is the biggest cost driver for most universities today (Von Bergen). The competition for good professors is anticipated to grow as the number of Ph.D. students is decreasing (Fields, 2006). This is likely to lead to more money being invested in recruitment of professors and higher salaries (Fairbank et al, 2005). Moreover, government and institutional assistance is decreasing and it is getting harder to generate revenues from executive programs due to increasing competition. Furthermore, business schools are faced with demands on providing new services, including convenient hours and career placement assistance. Due to this, fundraising and donation gifts are growing in importance (Ibid). Well-funded schools will be better positioned to protect their faculty with endowed chairs and professorships. They will also have more resources to develop areas of specialization and to support student scholarships (Fields, 2006).

Students

The majority of the students that are enrolled in an MBA program are between the age of 25 and 34 years old.¹⁰ Their backgrounds differ, both when it comes to what they studied prior to their MBA, as well as which industry and function they have been active in before (Roos). Furthermore, students that decide to pursue an MBA have different objectives for doing so. Some want to switch industries, others want to switch functions. There are also people who take an MBA to get a more senior position than before, or an increase in salary.¹¹ What they all have in common is that they expect to get a better job after their MBA degree (Mårtensson).

Students go through a decision process when deciding whether to pursue an MBA or not. This process takes a little over three years and consists of three stages (Schoenfeld and Bruce, 2005):

- *Stage 1* "Is an MBA right for me?"- In this stage the potential student decides whether to pursue an MBA or not. This stage takes about two years.

⁹http://www.deanstalk.net/deanstalk/2006/12/generating_reve.html

¹⁰<http://www.mba.com/mba/AssessCareersAndTheMBA/SeeYourselfasanMBA/MBAsAreJustLikeYou/ATypicalMBAIsThereSuchaThing.htm>

¹¹ <http://www.gmac.com/NR/rdonlyres/F3B4CA56-020D-4D5E-9FC9-EC77E7EE3606/0/mbacomRegistrantsSurveyReport08.pdf>

- *Stage 2* “Where should I pursue the degree?” - Once a potential student decides to pursue a graduate degree, a brand-level decision is required. And a decision on what school and program attributes that are important to that student. This process takes an average of ten months.
- *Stage 3* “Where should I enrol?” – This is the decision to enrol to a specific school. This process takes an average of three months.

The following is listed as important for students when choosing a business school (Olkin, 2004):

- Prestige and global recognition,
- Career options the school affords,
- Quality and reputation of the faculty,
- Rankings in publications, and
- Reputation of alumni.

The most common reservations about pursuing a graduate business degree relate to the cost and ability to finance the degree, and the amount of time and energy needed to attain the degree.¹²

Employers

Recruiters rely heavily on the reputation of the business school when deciding where to recruit (Olkin, 2004). The reputation of the school is built through rankings among other things (Mårtensson). But it also depends on the quality of the students and a company’s previous success when recruiting from a particular school (Olkin, 2004). The higher the quality of the curriculum, faculty members, and graduates, the more solid a school’s reputation will be in the mind of a recruiter. Recruiters are constantly weighing a school’s reputation against its ability to provide a positive recruiting experience, good job candidates on an interview and successful alumni employees. Weakness in any of these factors can damage a school’s recruiting relationship with a company (Ibid).

Rankings

It was in 1988 that *Business Week* published its first MBA ranking and this was the first MBA ranking that got a wide circulation (Peters, 2007). The *Business Week* ranking began a trend in which salaries became a key determinant of business schools’ success (Ibid). Since then, several other actors have launched rankings. The most influential rankings today are: *Business Week*, *the Financial Times*, *U.S. News & World Report*, *the Wall Street Journal*, *Forbes*, and *the Economist Intelligence Unit* (Policano, 2005). The different rankings measure different criteria and hence rank MBA schools differently (Peters, 2007). Thus, although they include many of the same schools in the Top 20, the rank orderings often differ (Bradshaw, 2006).

The rankings have lead business schools being divided into different tiers. There is a A-team (the first-tier), that is made out of the top 10 ranked schools in Europe and Asia and the 20 to 30 top ranked schools in the Unites States, the B-team (second-tier) ranked down to top fifty and the “rest of the pack” (third-tier) (Roos).

¹² <http://www.gmac.com/NR/rdonlyres/F3B4CA56-020D-4D5E-9FC9-EC77E7EE3606/0/mbacomRegistrantsSurveyReport08.pdf>

A school's rank affects the school's brand and reputation (Mårtensson). When one judges an MBA program, one mainly looks at what kind of school it is, and values this together with the brand of the school, making the rankings very important. If a school is highly ranked for a long period of time in different rankings it becomes a strong brand and people will know that the school is good (Ibid). The power of good rankings can be illustrated by the effect on the number of enrolments. For example, the University of Pennsylvania's Wharton School was ranked number 1 by *Business Week* four times between 1993 and 2000. During those years, the applicant pool increased dramatically, from 4,300 in 1993 to 8,400 in 1999 (Wuorio, 2001). Moreover, a good ranking can lead to increased donations from Alumni (Ibid). Independent of whether you believe rankings accurately reflect the schools quality, the perception of the outside world is that it does, and consequently resources flow to schools that are highly ranked (Zimmerman, 2001). When it comes to MBA education one should talk about perceived quality, i.e. quality lies in the eyes of the beholder (Roos). Hence, many business schools are playing the rankings game, i.e. focusing on improving their position in the rankings (Devinney Et al., 2006).

Partly due to the factors mentioned above, business schools devote a large amount of time and money to improve their status in the rankings. Some schools even have staff members whose jobs simply are to manage "the rankings desk" (Policano, 2005). According to numerous observations, rankings have led some deans to focus on looking like a good school rather than being a good school (Zimmerman, 2001).

Rankings are an important factor in attracting students, they are one of the main criteria in students' evaluations of schools (Mårtensson). According to GMAC's Global MBA Survey of 2001, 95 per cent of graduating MBAs said that school rankings had more influence on their decision-making process than any other media source (Tyson, 2001).

Marketing

When prospective students decide which business schools to apply for, their brand choice decisions are, to a large degree, based on the business schools' brand image.¹³ There are three sources of communication that influence the formation of the school's brand image and the degree in which the school can control each source varies. The three sources are: school sources, personal sources and media sources. School sources (including the school's Web site and personal school correspondence) are the most controllable of these three. Personal sources (including word-of-mouth) and media sources (including published rankings) are notably less controllable.¹⁴ Below is a table showing the ten most influential communication sources for building the business schools brand amongst students¹⁵:

¹³ http://www.gmac.com/NR/rdonlyres/0C770711-8E97-4661-B386-E390661441A4/0/RR0510_SchoolBrandImages.pdf

¹⁴ Ibid

¹⁵ Ibid

Source Category	Communication Source	Rank
Media Sources	Publishing rankings	1
School Source	School Web site	2
School Source	Interaction with admissions/MBA program personnel	3
School Source	Personal School Correspondence	4
Personal Sources	Friends/relatives	5
Media Sources	MBA-related Web sites	6
School Source	Current students	7
Personal Sources	Peers	8
Media Sources	Online business magazine/newspaper	9
Media Sources	MBA-related books/publications	10

Table 2. The ten most influential communication sources for brand building, (GMAC.com)

The table above show that rankings are the most powerful communication source, followed by the school web site. It also shows the importance of word-of-mouth from interaction with friends and relatives as well as with currently enrolled students.

Professors

The competition for good professors in the MBA market is intense and for the b-team business schools it is really important to attract good faculty members in order to improve (Mårtensson). Due to the format of the MBA it is important that professors has practical experience and are good at getting their message across. It is impossible to become a professor in the United States without practical experience (Ibid).

Professors have different preferences; some are more research oriented whereas others are more interested in teaching. Business schools have different strategies, some want to be in the top of either research or teaching, while other schools want to be good in both. So there are big differences between both professors' preferences and business school profiles. Not having research at the school does affect the credibility of the school as it is seen to affect the school's scientific foundations or lack thereof (Mårtensson). Moreover, as Von Bergen puts it:

“An academic program must constantly develop and the research is the gas that drives the engine when it comes to development of the program”.

In North America there is a tenure system for professors. Tenure is connected to more senior positions such as professor and associate professor, and professors must have accomplishes a strong record of teaching and research. When a professor is tenure the school is committed to employ the professor (Roos). Once a professor reached tenure, he or she will expect a similar level if switching jobs, which leads to many professors staying at the school in which they got their tenure. Top schools do however swap professors with each other in a closed system (Roos). As the amount of Ph.D. students has

declined the numbers of faculty in non-tenure-track positions have risen slowly but steadily in recent years across all ranks (LeClair, 2004).

Value of an MBA

The value of getting an MBA degree has been under debate although students expect that an MBA will increase their career options and salary.¹⁶ A widely used measure of the value of an MBA degree is return on investment (ROI). Research has shown that the general payback period of an MBA is 4.5 years and the average salary increase is 52 per cent.¹⁷

Top business schools can be more selective when choosing students and hence they can expect to get smarter students than other schools. When it comes to salaries, the difference between what students that went to one of the top 10 schools earn and what students that went to a business school that where not in the top ten earn, is significant. The Top 10 schools' graduates' base salary at graduation is USD 96,420 and those who did not go on the Top 10 schools earn a base salary of USD 79,703.¹⁸

What is interesting is that the differences between the pre- and post MBA salaries are about the same for both graduates that went to the top 10 schools and the graduates that did not. Moreover, given that the costs for going to one of the top 10 schools are higher, the ROI is lower and the expected payback time is 15 months longer.¹⁹

Thus, MBA programs deliver significant ROI independently of rankings in the long run. Graduate salaries are higher for students from highly ranked schools at the same time as the ROI is lower for highly ranked schools.

Admission

Highly ranked Business schools have much more applicants than they take in, Stanford did for example have 6,606 applicants and had an intake of 365 students for class 2001 and Harvard had 8,467 applicants and an intake of 897 students (Crainer and Dearlove, 2001).

Business school admissions vary from school to school and the criteria that students are selected on are not written in stone (Fisher, 2002). It is not enough to look at GMAT (Graduation Management Admission Test) scores when selecting students as it does not measure all of the relevant features that business schools and employers are looking for in a candidate (Fisher, 2002). Only when you combine GMAT scores with GPA, course work, letters of recommendation, interviews and essays, can an accurate image of the student's abilities be achieved (Tyson, 2002). Most schools look beyond GMAT scores they also recognize the importance of the GMAT in assessing academic aptitude and the ability to handle a tough curriculum (Mast, 2002). Moreover, business schools are looking to get a heterogeneous student body (Mast, 2002) making admissions "an inherently and necessarily subjective process" (Tyson, 2002).

¹⁶ http://www.gmac.com/NR/rdonlyres/6B81E15E-0A57-4E84-B39D-E3B57483B4BD/0/RR0616_ValueAdded.pdf

¹⁷ Ibid

¹⁸ Ibid

¹⁹ Ibid

In 2001, three quarters of the MBA students had a minimum of three years of work experience (Edgington & Olkin, 2002). Work experience is important since it is associated with the ability to get a job after graduation which is an important factor in rankings (Conley, 2002). Many schools do however make exceptions when it comes to work experience. If they find a student with great potential but with little or none work experience, they will often accept them (Mårtensson). This trend goes towards accepting younger and less experienced applicants (Mast, 2002).

4.2. Hult International Business School

Being a Part of EF

In 2003 Hult IBS was born out of a purchase of Arthur D. Little School of Management, which was founded in 1964, by education organization EF. The school was then renamed to Hult International Business School (Hult IBS), after Bertil Hult, the founder of EF.²⁰ Today, Hult IBS offers a one year MBA program in three locations, Boston, London and Dubai. Additionally, the school has a campus in Shanghai, where students can take their elective module.²¹ The London campus was established by an acquisition of Huron University, while the schools in Dubai and Shanghai were built from scratch, as these markets are less competitive than London and Boston.

According to Hult IBS CEO Stephen Hodges (Hodges) the MBA market is characterized by high entry barriers and acquisition is the only realistic way of entering the market. He explains:

“The most difficult thing is that you have to have a degree awarding capability, which you can not get being an entrepreneur. So in order to get it you have to have a curriculum, faculty and students. But you can’t have students unless you can give them a degree. So really, the only way to break into the MBA market is to buy a school.”

EF is the world’s largest private education organization with more than 3000 full-time employees.²² It has traditionally focused on language learning trips within Europe for high school students and that is what the company is generally known for in Sweden.²³ According to Hodges, the school’s connection to EF is purely financial and EF is not involved in its day-to-day operations. Within Hult IBS the view on being owned by EF is both positive and negative. One positive aspect that Hult IBS Head of Recruitment, Alice Huang (Huang) emphasizes is the possibility of benefiting from EF’s expertise within sales and marketing as well as its international network and deep knowledge of the education market in different countries. Nevertheless, EF does not add much value to the Hult brand. As Hodges put it:

“We would not market ourselves to Scandinavian students that have been on language courses with EF in Brighton as being a part of EF”.

²⁰ www.hult.edu

²¹ www.hult.edu

²² www.eftours.com

²³ http://www.realtid.se/ArticlePages/200803/05/20080305120222_Realtid993/20080305120222_Realtid993.dbp.asp

Before EF bought the Arthur D. Little School of management it had a fairly weak position in the Economist's Intelligence Unit MBA Ranking compared to Hult IBS position in the ranking today. As an example it can be mentioned that the Arthur D. Little School of management was on the 54th place in 2002 year's ranking²⁴, just before the acquisition, and Hult IBS is on the 31st place today.²⁵ The school did however have a strong brand name being named after its owner Arthur D. Little, the world's oldest management consulting firm, and Hult IBS views the rebranding of the school as one of its biggest challenges up to date (Hodges). An important part of the repositioning and rebranding of the school was the system with campus rotation and global presence that Hult IBS introduced after the acquisition (Huang). Academics and the curriculum have not been changed significantly since the acquisition and it is not an area in which Hult IBS is trying to differentiate itself. The focus has instead been on marketing, positioning and development of good student- and career services (Hodges).

Students - from Attracting to Admission

The total number of enrolled students at Hult IBS was 345 in 2008 including all campuses, out of them 135 where in Boston, 106 in Dubai and 204 in London. The number of enrolled students at the Boston campus, which was the only campus until 2008, has been increasing every year since the acquisition of the school, except for 2008 when the number fell from 168 in 2007 to 135 in 2008. It is however worth mentioning that Hult IBS has the capacity to enrol a lot more students than it currently does (Hodges).

The average student at Hult IBS is thirty years old and has been working for seven years before attending the program. Over 90 per cent of the student body comes from outside the US and more than 32 countries are represented among the students.²⁶ Approximately half of the students come from Asia, and sometimes as many as 20 per cent of the enrolled students come from India (Hodges). The rest of the student body is rather equally divided between North Americans, South Americans and Europeans.

Hult IBS prefer students that have lived, worked and studied in multiple countries and speak more than one language (Huang). The school works actively with attracting international students by having sales representatives located all over the world. Hult IBS's sales and recruitment representatives adapt the school's marketing strategy to each region, in terms of the channels they use, the message they give to students and the language of the marketing material. Moreover, Facebook and other forms of internet advertising are heavily used for recruiting students (Hodges).

Having an international student body is an important part of Hult IBS's recruitment strategy. As Hult IBS CEO, Hodges, explains:

"As a new business school we can't compete by finding Americans in America, there is just too much competition."

He also underlines the importance of actively marketing the school:

"I think that the days in which an academic institution could sit back and wait for applications to come in are gone. You have to be out there, selling your school to people, otherwise enrolments will keep dropping and I think that is a situation that many schools are facing. It is a dual point; there is no idea of

²⁴ http://www.b-school-net.de/MBA_Rankings_International/economist_iu_2002.htm

²⁵ <http://mba.eiu.com/index.asp?layout=2008rankings>

²⁶ <http://www.hult.edu/Hult-Community/student-profile>

selling yourself if you don't have a clear message. And even through having a clear message you will not get many students if you are not proactive."

Just as for the rest of the industry, Hult IBS's competition for students is based on differentiation and innovation rather than price. Students at Hult IBS see the tuition as an investment for the future and are interested in return on investment rather than the tuition fee itself (Huang). On this topic, Hult IBS has been very successful. According to the Economist Intelligence Unit ranking, Hult IBS has the first place on the post-graduation salary criteria.²⁷ It is however important to keep in mind that this criteria considers the marginal salary increase and not absolute final salary. On the final salary criteria, which measures leaving salary for graduated students without the comparison to previous salary, Hult IBS is ranked 59th.²⁸

Once a student is interested in attending a MBA school, he or she has to go through a recruitment process. Graduation Management Admission Test (GMAT) result is a common selection criterion in admission for MBA programs. However, Hodges does not see GMAT as a reasonable way of accessing someone's business skills:

"We make students take the GMAT, because students are expected to take the GMAT if they go to a proper school but we don't really focus on it and never will. If you look at people that do well in the program, you see that it has very little to do with their GMAT scores. Their starting salary as well as salary three years after graduation has nothing to do with their GMAT scores."

Hult IBS's students average GMAT score lines on 606 points, which is about 100 points below many of its competitors. Due to this Hult IBS is far down in the Economist's ranking on student quality criteria.²⁹

Hodges views English skills as an important trait as it is needed to keep up with the program. He also values experience that is different and interesting in the students work. The recruitment of students is holistically centered around the school's view on who will be most successful in the program and attractive on the job market (Hodges).

Academics and Research

Most of the professors working at the school are employed by another university and take time of to teach a course during a couple of weeks at Hult IBS. The value proposition to the professors is basically the same as for students: they get to teach in different locations in the world. Paying a competitive salary is also an important factor in attracting professors to the school (Hodges). Hodges's input on competition for professors is:

"It is different for me because I am not trying to get them full-time. It would be difficult for me if I was, as they want to have Ph.D. students and research budgets and obviously they want to work at the best

²⁷http://mba.eiu.com/index.asp?layout=school_snapshot&university_id=180471618&mba_program_id=190471619&university_name=Hult+International+Business+School

²⁸ibid

²⁹ibid

name schools. I want a professor to come and teach strategy or corporate finance and that is far easier, so I am not directly competing for those talents.”

Research is not conducted at Hult IBS and professors’ relationships to the school are purely about teaching (Huang). Hult IBS stresses the importance of real life professional experience of its teachers. According to Hodges the lack of research is not harmful for the school’s credibility and reputation since business is not a research topic. Rather it is a topic that demands practical experience and MBA students who have been working for several years want practice and not theory. For this reason real life experience in the subject being taught is the most important criteria when hiring new professors. Even Hodges himself comes from a business rather than an academic background.³⁰

Faculty quality is criteria where Hult IBS got the single lowest rank in *The Economist* Intelligence Unit MBA ranking.³¹

Job Market

Hult IBS has a very active career service and this is an area it continually is investing in. Hult IBS’s efforts into its career services is reflected in the Economist ranking where the school takes 15th place in the world on the “jobs found through career services” criteria. Hodges reasons, that student satisfaction and rankings mainly are affected by how well students succeed in getting a good job with high salary after graduation. It is because of this Hult IBS put effort into assuring the quality of its career service. The career services at Hult IBS even have a corporate development team consisting of five people whose job is to visit the companies in order to promote Hult IBS and its students. Last year this team visited around 250 companies (Hodges).

Around half of the people graduating from Hult IBS work within General management/HR or Sales/Marketing area before, and after their MBA program.³² A common trait for employers of Hult IBS graduates is that they are international companies with operations outside the US.

“We are good place to turn to if you want to expand your business to Mexico, Indonesia, China, India and you need someone from that region, who speaks good English, is trained in America, has god business skills and that fundamentally can go and open up a factory in Indonesia. Normally there is something about the fact that you are for instance Indonesian that the companies care about.” - Hodges

Position and Differentiation

Hult IBS is one of few schools in United States that offers a one year MBA program. The MBA market is global and an actor in the market has to consider its global competition (Roos). Keeping that in mind, Hult IBS considers one year programs in Europe as its biggest competitors. As Hodges explains:

“The majority of the students that have chosen to come to Hult have already decided to take a one year MBA program. So even though we have a campus in the US we do not really compete with MIT and Harvard or even second tier schools such as Boston University. Our only real competition in the US is

³⁰ http://realtid.se/ArticlePages/200808/27/20080827174759_Realtid085/20080827174759_Realtid085.dbp.asp

³¹ http://mba.eiu.com/index.asp?layout=school_snapshot&university_id=180471618&mba_program_id=190471619&university_name=Hult+International+Business+School

³² <http://www.hult.edu/Careers/career-statistics>

Thunderbird which offers a 16 month MBA program. But the majority of students that we would lose are students that go to INSEAD, Cambridge, Oxford and Manchester Business School...”

Until recently Hult IBS could enjoy having a quite unique position, being a one year program in the United States. This is not something Hult IBS sees as its main competitive advantage considering an increasing amount of one year MBA programs in the United States and the global characteristics of the market (Hodges). Rather, Hult IBS highlights high return on investment, because of short length of the program and consequently lower alternative cost than two year programs as one of its main selling points.³³

Another important feature of the school is its international student body. But the school does not see this feature as a sustainable way to differentiate the school either. Starting of positioning the school as a “one year international”, the strategy today is to position the school as a “global business school”. Campus rotation is considered being an important part of the strategy and the recent opening of a new campus in Dubai is one step further in becoming truly global.

“We are the first American MBA program in Dubai, a differentiator that shows that we are going to grow in important markets such as Dubai, one of the financial centers in the world. We give our students more opportunities to study abroad. At Hult IBS students can study in three continents in one year...” - Huang

According to Hult IBS’s homepage, the school’s position and selling points to students are:³⁴

- Good position in rankings
- High ROI
- Good Career Service
- A highly international student body
- Faculty with real-world business experience

Rankings

As stated earlier, rankings are a significant and important competitive factor in the MBA market and they are heavily used in order to promote schools. In the case of Hult IBS, the rankings are seen as an important tool to gain credibility and validity for a “no-brand business school”. The school’s goal is to be in top 25 in the world in *the Financial Times* and *the Economist’s* rankings (Hodges). While Hult IBS was ranked 31st in *the Economist* ranking 2008, the school was ranked 115th in *the Financial Times*. The reason for this is according to Hodges that *the Financial Times* ranking focuses more on the opinion of graduates three years after receiving their MBA degree, while *the Economist* focuses more on the enrolled students today and their view on the school. Indeed, our research of methodology of the different rankings also shows that *the Financial Times* ranking as opposed to *the Economist* ranking does not use current students’ rating of the program in their evaluation. Another important difference is that

³³ <http://www.hult.edu/mba-program/Why-HultMBA>

³⁴ Ibid

the *Financial Times* ranking does not take the “jobs found through career service”-criteria into account, something that Hult IBS excels in, according to *the Economist* ranking.³⁵

Criteria	Rank out of 100
Overall rank	31
Open new career opportunities	54
Diversity of recruiters	48
Number in jobs three months after graduation	86
Jobs found through the career service	15
Student assessment	68
Personal development and educational experience	63
Faculty quality	100
Student quality	87
Student diversity	15
Education experience	18
Final salary	59
Breadth of alumni network	78
Internationalism of alumni	11
Alumni effectiveness	68

Table 3. The rank of Hult IBS in the Economist Intelligence Unit’s MBA ranking 2008

Revenues and Costs

According to both Hodges and Huang, the school’s revenues come from tuition fees. The tuition fee for the MBA program at Hult IBS is USD 46200 which is about the same as the tuition for two year MBA programs in well established and highly ranked schools like Yale, Harvard and Stanford.³⁶ Hult IBS neither get any state subsidy or alumni support (Huang). As mentioned earlier the reason for the school being profitable is said to be the low costs of its faculty.

“We do this by keeping an adjunct faculty instead of a full-time faculty. So we only pay for a strategy professor when we need it. What drags down most institutions is that even when the professors are not teaching they still have to pay for their salary and research. We are not a research institution, we are a teaching institution so therefore we only employ them for the teaching they do for us.” - Hodges

However, Hodges has also stated in an interview that Hult IBS attracts the best professors by offering them good salaries.³⁷ Looking back at the Economists ranking and school’s poor rank in faculty quality it does not seem like the school has succeeded in getting high quality faculty.

³⁵ http://mba.eiu.com/site_info.asp?info_name=wmba_rank_method

³⁶ www.mba.eiu.com

³⁷ http://www.realtid.se/ArticlePages/200808/27/20080827174759_Realtid085/20080827174759_Realtid085.dbp.asp

Considering the fact that Hult IBS is a privately owned company and we therefore do not have access to financial statement of the company, the situations regarding its revenues and costs remain unverified.

Future

Being a fairly new school, the biggest challenge for the future of the school is considered to be brand building (Hodges). Keeping students and alumni happy so they can strengthen Hult IBS's brand through word-of-mouth is therefore considered top priority (Huang).

Currently, the recession and weak economical climate is worrying Hodges and there are plans on opening up a bachelor and master program in addition to the existing MBA program.

"If we would have a sustained down period and the graduates would not be able to find jobs, far less people would be willing to take an MBA or see a point in taking one. That is one of the reasons why we lowered our enrolment forecast for our MBA program and have started moving toward an undergraduate and zero experience master programs where we think the demand will go up. That gives us the opportunity to be pickier in terms of what students we accept and keep our employment statistics nice and high." - Hodges

5. Strategy Analysis

This chapter represents the core value we are adding which is to bring together the theory from chapter three with the data collected in chapter four for a detailed analysis.

As discussed in section 1.4 this analysis specifically considers:

1. the Outside-in Perspective
2. the Inside-out Perspective
3. the Positioning of Hult IBS within the market

5.1. Outside-in Perspective

Porter's Five Forces are used in this analysis to compare how Hult IBS deals with the market forces.

Rivalry among Existing Competitors

As described in section 3.1, competition among existing firms has a significant impact on the attractiveness and profitability of an industry. Moreover, the degree to which rivalry drives down an industry's profit potential depends on the intensity with which companies compete and the basis on which they compete.

Below we have identified several key aspects of this market with respect to rivalry:

- The market is mature and controlled by incumbent top tier schools
- Beyond the top tier market dynamics are very complex
- Competition seems not to be on profit but rather student quality and rankings
- Success is defined differently for different schools
- Students (customers) are less price sensitive than on many other markets

Each of these is discussed in detail below.

The MBA market is mature and even though new actors are entering the market, the same business schools remain in the top of the rankings. Our empirical findings have shown that the MBA market is divided into different tiers and it is difficult for business schools outside of the top tier to break in to A-team. Based on Hult IBS's position in the rankings we consider it to be in the lower end of the B-team since the school only holds a B-team ranking in *the Economist*, is down in the bottom in *the Financial Times* ranking and is not ranked in any of the other influential rankings. There are many actors in this tier which intensifies competition. Nevertheless, a standard analysis of seller concentration is very difficult as schools are competing for the best students and faculty, not for student number or profit as this analysis would usually be applied.

As global mobility is increasing, the number of foreign students coming to the United States to get an MBA is also increasing. Several American multinational companies require an MBA degree for certain

positions and as these companies have international employees, the awareness of the degree has spread inspiring an increasing number of people to pursue an MBA. Because of this, the MBA market can be said to be growing. It is however hard to say how big this growth is and how long it will continue, particularly with the current recent economic trends, the impact of which it is too early to understand.

Hult IBS is clearly focusing on the increasing global demand on MBA degrees from students outside the United States. It is not trying to attract American students as it knows that the competition for these students is very high and this strategy has helped the school to enter the market.

Internal rivalry in the market increases if there are firms that stay in the market even though they are facing low or even negative returns (Porter, 2008). It is clear that this is the case in the MBA market as most business schools offering a full-time MBA program have goals that go beyond economic performance. Most of them are committed to the MBA industry due to reasons concerning legitimacy and prestige rather than to make economic profits.

The exit barriers in the MBA market can be considered low as business schools have few fixed assets. The only tangible assets are campus areas which probably could be sold or used for other activities. Faculty could also be considered as a potential exit barrier, especially for schools with full-time faculty. But for a school like Hult IBS, which only hires faculty on a consulting basis, faculty can not be regarded as a barrier to exit.

Competition in the MBA market is mainly based on differentiation and not on price. Business schools are competing for students that have decided to pursue an MBA. As they already have decided to make this investment, price is not a crucial factor in choice of the school. For them the degree is a one-time investment making the value of, and return on that investment important. Hence, an even more important aspect of competition is brand and reputation. When students “buy” an MBA degree, they also buy the brand and reputation of the school. Thus, brand is the main source of differentiation in the MBA market. Moreover, schools can differentiate themselves by focusing on different areas such as entrepreneurship, finance or having an international profile. All of this is affecting the brand perception.

Rankings largely affect schools’ brands and are important for attracting students and faculty. A school’s position in the rankings is crucial for how its brand is perceived. The fact that some schools have full-time staff working with improving the schools’ position in the rankings further highlights the importance of rankings when it comes to competition in the MBA market. The competition in the MBA market is competition for quality of students, rather than quantity. Through high rankings the best students can be attracted. The best professors want to work with the best students, so they are also likely to want to work for a high-ranked school. By attracting the best faculty members a school can provide good education leading to graduates getting high salary jobs which attracts the best students. Thus, rankings are an important battle field for competition in the MBA market. This connection is illustrated in the figure below.

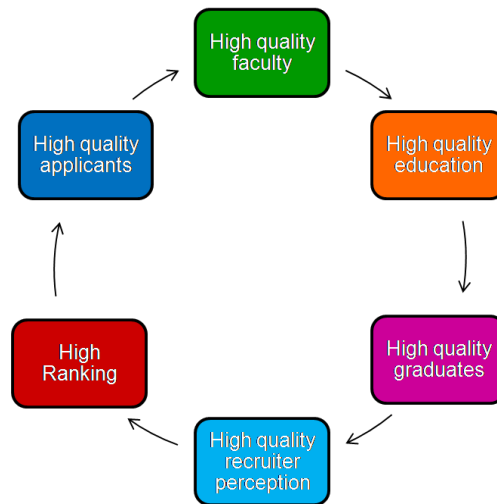


Figure 4. The connection between high ranking and different quality measures of MBA schools

In summary, we conclude that the internal rivalry in the MBA industry is moderate to high. On one hand the market is dominated by a few highly ranked schools, in terms of reputation and popularity amongst students. These few brands have the highest rankings and it is very hard for a new actor to break through to the top. Moreover, many schools have the goals that go beyond economic performance, which further intensifies the competition. On the other hand, the market for MBA education is growing and as far from all students can get into a school such as Harvard, there are room for other actors to steal this demand, especially if they find a way to differentiate themselves.

Threat of Entry

As discussed in section 3.1, new entrants can be a threat as they bring new capacity and desire to gain market share and the threat of entry depends on the size of the entry barriers, which are advantages that incumbents have relative to new entrants.

There are some entry barriers in the MBA market. A new entrant has to make large capital investments to enter the market. One reason for this is that it is hard to get accreditation for awarding MBA degrees, as you must have a functioning faculty, curriculum and student body to do so. This implies that new entrants must invest in all of these things at the same time, requiring large investments. To buy an existing accredited school, with already established faculty, curriculum and student body is one of the few ways to solve this puzzle, but this does not take away the fact that large investments is required. However, for an existing business school that wants to offer an MBA degree the capital requirements will be much smaller as they already have a brand as a business school as well as potential faculty members, facilities etc.

Brand building can also be considered as an entry barrier. Large brand investments must be made in order to attract students, faculty and potential partners as well as to promote the school among companies. It would be difficult for a new school to enter the first tier of business schools as those school's brands have been developed during a long time and have strong alumni networks, which take years to establish. For a school to get into any of the other tiers also requires large brand investments to

become considered and chosen by its target audience. To do so schools must find their own niche and promote themselves within their niche.

Economies of scale are not a large entry barrier. However, it is possible that cost per student decrease as more students are enrolled into the same curriculum or when the number of students in each class is increased. Considering the fact that competition in the MBA market is based on other objectives than making economic profits, schools do not in general strive to achieve economics of scale. Instead, they focus on attracting the best students and faculty they possible can. Hult IBS might however have found a way to achieve economics of scale, by building campuses offering the same curriculum around the world. It is possible that other actors with an innovative mind can come to surpass the system in a similar way and thereby somewhat change the market conditions.

In summary, the threat of entry for schools in the first tier is low as these schools have strong brands which are hard for new actors to compete with. For schools outside of the first tier, such as Hult IBS, the threat of new entrants is moderate. On one hand, new entrants will have to make large investments. On the other hand, schools outside of the first tier do not have strong enough brands to budge out competition.

Power of Suppliers

Powerful suppliers can squeeze the profitability out of an industry. If the suppliers are few and have high bargaining power they can capture more of the value for themselves by charging higher prices or limiting quality (Porter, 2008). We consider the faculty members to be the suppliers in the MBA market since they are the ones supplying the education. The competition for good professors is high, especially as the number of professors is declining at the same time as the demand for them is increasing. As a result, professors can put high demands on their employers. This can amongst other things take the form of high salary demands as well as demands for increased research budgets. Further highlighting this is the fact that faculty is the highest expense post in the industry, squeezing out the profitability in the industry. Furthermore, there are no substitutes for the professors further strengthening their position.

In general, professors are dependent on their employers for getting the security of a full-time position and monthly salary as well as research budgets. In the case of Hult IBS, the situation looks a bit different. To be able to attract good professors, Hult IBS employs professors on a consulting basis and hence it does not compete with other schools for professors as they can be employed and do research at another school at the same time as they are working for Hult IBS. By having this strategy Hult IBS has been able to keep costs down. On the other hand, the professors are not dependent on Hult IBS for their income as the school only employs them for a couple of weeks per year and since they rely on another institution for their main income. This increases the bargaining power of the professors working at Hult IBS. Due to this, the professors at Hult IBS are not pressured to provide high quality products (education) or to develop the curriculum, as they are not depended on the schools quality and/or reputation.

All of this leads to the conclusion that the suppliers possess a high bargaining power, especially in schools which does not offer full-time employment such as Hult IBS. Thus this is a threat which Hult IBS must actively consider.

Power of Buyers

As shown in section 3.1, the bargaining power of buyers regards customers' ability to negotiate a price that could squeeze out a firm's profit margins. We have identified two groups of buyers, students and the employers of MBA graduates.

Students are the direct buyers of the MBA degree and are, in most cases, the ones paying for it. However, employers are the buyers of the MBA graduates and their perception of the MBA schools largely effect the decision of which graduates they hire. Hence, employers can be said to be the indirect buyers of the MBA degree. To make the analysis clear we are going to analyse these two groups separately. We will start with analyzing the bargaining power of students.

Students

Business schools only admit a limited number of students each year and schools aim for the highest possible quality of students. Hence, business schools are not competing to get as many students as possible; they are competing for the most qualified applicants. One could say that students have high bargaining power as they have many schools to choose from and as the MBA degree is a large investment they will probably not apply for the school that does not reach their expectation in terms of quality and reputation. As the qualities of the applicants differ and the quality of the enrolled students affects the program and the schools' brand, it is bound to be different tier schools to satisfy the demand to pursue an MBA. Considering this, it is hard to make any general conclusions regarding the buyer concentration.

When students have decided to enrol to an MBA school, they are not so price sensitive. What is important is to get in to the school of their choice. As the MBA degree is a one time investment, the concept of switching costs can not be applied.

Customer satisfaction is important since it is one of the factors that are measured in many of the rankings. Furthermore, student satisfaction is measured amongst alumni as they are an important part of the schools' network. This point towards high bargaining power of the students and indicates that students can demand better quality of the school and its services.

Employers

To be able to analyze the bargaining power of employers, we have to go back and look at the students. The exact reasons behind MBA students' decision to pursue the degree differ, what they do have in common is that they pursue an MBA to get a better job and a higher salary than before, which implies being hired by a well-known and highly regarded employer. This puts pressure on business schools to attract recruitment efforts from attractive employers. As attractive employers can chose to recruit from a wealth of business schools, they have the power to direct their recruitment efforts to schools of their choice, putting them in a superior position. There are low switching costs for employers, i.e. they can without any substantial costs stop recruiting from one school and start recruiting from another.

Some employers even have the opportunity to create corporate universities in which they can educate their employees. This is an option for employers that are not satisfied with the MBA degree and is a way for them to integrate backwards in the value chain, further strengthening their power.

The MBA degree is in itself a homogeneous product. It is first when it is connected to a certain school that it has value and can be considered as a differentiated product. The difference lies in the brand of the school which the degree is from. It is this value together with the students' skills that the employers buy. This weakens the position of employers to some degree. But even though there is just one "Harvard" there is other schools in the same tier that are considered equally good and that employers can chose to recruit from. The same goes for the other tiers.

To conclude, the barging power of the buyers, both the employers and the students, is high.

Threat of Substitutes

Depending on how you look at it, there are several different substitutes to a full-time MBA program. Some points out Master of Science (MSc) programs as a potential substitute to the MBA degree. We do however believe that the current structure of the MBA program differ a lot to the structure of MSc programs due to its interactive nature and demand on working experience of the participants. This can however change as the MBA programs are starting to demand less working experience from its participants.

Executive, part-time and online programs can also be seen as potential substitutes. Executive and part-time programs are more regional than full-time programs as participants often remain in their current positions when pursuing the degree. Moreover, executive programs demands more working experience than a full-time MBA. Online programs differ a lot to full-time MBA programs as they lack the integration and team work that it is emphasis on in full-time programs. The alternative costs for pursuing one of these degrees might however be lower as students can continue working at the same time as they are studying.

For some potential MBA students corporate universities can be an alternative. This option is only valid when the firm is offering this opportunity and the student intend to stay in the company.

All in all, there are different substitutes for pursuing a full-time MBA degree. However the growth of the MBA market tends to indicate that despite alternatives, this threat is low. Indeed the incumbents within the market control and protect the market largely with their brands and thus the threats of substitutes are not specific for Hult IBS, but rather for the entire market. We consider the threat of substitutes to be low.

Summary

The in Outside-in Perspective using Porters Five Forces is very effective at isolating the key market drivers:

1. The market is very competitive with strong incumbents

2. Barriers to entry are moderate
3. Bargaining power is very high from buyers and suppliers
4. Success is not clearly defined nor necessarily consistent amongst competitors

5.2. Inside-out Perspective

The Inside-out Perspective is primarily an analysis of the resources and capabilities of the subject as well as its competitive advantage.

5.2.1. Resources

We defined resources in section 3.2. Using our empirical findings, this section discusses what we believe to be Hult IBS's most important resources.

Capital Resources

As described before, big investments are required in order to enter the MBA market. Hult IBS was able to not only enter the market, but also develop the school further by investing heavily in sales, marketing, career service and new campuses in London, Dubai and Shanghai. According to Grant (2005) capital is a tangible resource. Hult IBS gained these financial resources from its parent company EF.

Looking at the interplay of the three market sources that determines whether a resource can be valuable according to Collins and Montgomery (1995) we can see that capital resources are not scarce, nor is there any appropriability as it can not be protected. Capital resources are a requirement for market entry and ongoing success, yet they are not rare as many other schools get alumni donations and/or state support. Nor is capital inimitable or non-substitutable as money is something that other actors can acquire in a variety of different ways. In the long run it is not likely that EF will provide Hult IBS with financial support if the school does not bring in profit, so even though the financial support from EF has proven to be an important resource in the starting phase of the school, it is not something that Hult IBS can count on in the long run. Hence, we conclude that financial muscles is not a sustainable resource as long as it comes from EF and is not generated by the schools' profits and/or donations.

Human Resources

The MBA market is characterized by extensive use of human resources. We have chosen to divide Hult IBS's employees into two groups, academic and non-academic employees. We will analyze these two groups separately.

Hult IBS only hires academic staff on a consulting basis which has positive as well as negative effects. By hiring its staff on a consulting basis Hult IBS has been able to cut costs, and this has given them the flexibility to hire people with the skills that they need when they need them. Hult IBS can also replace professors that do not live up to expectations, whereas schools with tenure staff are more or less obliged to keep their staff. On the other hand, the professors Hult IBS hires are not dependent on the

school for their career development. This can lead to less commitment to the school and its program, and hinder a continuous development of the program. Not offering research possibilities can further weaken the commitment to the school and the development of the program at the same time as it weakens the school's credibility. Moreover, apart from salary and in some cases the possibility to work in a new country, Hult IBS does not offer professors anything that they can not get elsewhere. As a consequence, Hult IBS can not provide a stable level of faculty quality and this can be seen in Hult IBS's poor rank on the faculty quality criteria in *the Economist's* ranking.

When looking at the market forces that determines the value of a resource we can see that there is a high demand for, and scarcity of good professors. One can also say that good academic staff possesses appropriability as they through their careers have built recognition in the industry that no-one else can replace making them inimitable. Most faculty members can however be substituted. As Hult IBS only hire its academic staff on a consulting basis, it cannot be considered to own this resource.

When it comes to the non-academic staff, Hult IBS puts effort into hiring marketing and sales professionals and to build other functions such as its career services. Hult IBS has sales and marketing staff located around the world; this enables the school to adapt its message to different market. This is valuable as it enables the school to be where the students are and attract an international student body. The sales and marketing network can also be considered rare as most business schools do not have a sales and marketing network like this. Hult IBS has been able to build this network largely because it is owned by EF. The knowledge and network that EF has accumulated over the years is hard for others to imitate. Other actors can establish a similar system making it substitutable.

In summary, Hult IBS's extensive sales and marketing network is a resource that can be a source of competitive advantage while its academic staff hardly can be viewed upon as a resource the school possess.

First Mover Advantage

Hult IBS was one of the first schools to offer a one year US full-time MBA program. This gave them a first mover advantage. Hult IBS use this as a selling point to attract students to the school. In emerging markets such as India and China, the presence of international companies is increasing, leading to a growing demand for MBA education. Hult IBS has been quick in seeing this rising demand and have focused on creating an offering for this group of customers. The fact that the program is one year makes it more affordable which can be considered a competitive advantage as the alternative cost for pursuing a one year full-time degree is lower than it is for a two year full-time program. The fact that Hult IBS was among the first actors to offer a one year full-time US MBA program was rare and valuable resource in the beginning. As more and more one year US full-time MBA programs are being offered, this can however not be considered a sustainable resource as it has shown to be imitable. Moreover, as the MBA market is global students can easily choose to substitute Hult IBS for another school.

The management of Hult IBS recognized this and bought a school in London and built campuses in Dubai and Shanghai, to create a "truly global MBA program". The curriculum is the same at all campuses enabling the students to study in different parts of the world during their MBA program. There are other

schools that offer students the option to study in different countries. What Hult IBS does differently is that they have the same curriculum on all of the campuses, which simplifies the process of switching campuses. As we are not familiar with any other schools doing this, we consider it to be scarce and a first mover advantage. As Hult IBS recently established this system it is hard to say if it is a demand for it and to determine the appropriability of it, but as this system is rather unique and there is a high demand for international experience we consider it to be valuable and rare. Most business schools that offer their students the opportunity to study abroad do so by partnerships with other business schools. It would be hard to restructure these schools so that they offer the same curriculum at the same time and to make them accept students from the other schools with little notice. It would also be difficult for other schools to build a similar system as Hult IBS has taken advantage of its parent company EF's knowledge, making the system hard to imitate but far from impossible.

We conclude that Hult IBS's first mover advantage in establishing a global chain of MBA schools is a resource that could lead to competitive advantage, although new actors can come in and build a similar system making it substitutable.

Position in Rankings

One of Hult IBS's selling points is its position in *the Economist's* MBA ranking. One can however discuss whether this is a sustainable resource. Firstly, the school is only listed in two rankings and in *the Financial Times* ranking it is ranked 110, which shows that it only fulfils *the Economist* ranking's criteria to a satisfying degree. Moreover, when looking at the factors that Hult IBS holds a high rank in, we see that it is ranked highly in criteria concerning diversity, internationalization and the effectiveness of its career service and low in criteria such as faculty and student quality. It is evident that Hult IBS has not entered the positive circle (Figure 4) in which a high position in the rankings leads to high quality students which leads to high quality faculty that leads to high quality graduates getting high salary jobs building the brand and reputation of the school leading to a high position in the rankings.

The criteria that Hult IBS holds a high rank in are easy for other actors to imitate. A school can easily decide to increase its intake of international students or put more efforts into its career services, while it is much harder to get high quality students and faculty. We have already seen that a good brand and reputation are two of the most valuable resources in the MBA market and these are to a large extent built on student and faculty quality. Even though Hult IBS is working on building its brand and reputation, it does not have any of these resources today. Hence, we do not believe Hult IBS's position in the rankings to be a sustainable resource even though it has helped the school to gain some credibility which has been important in establishing the school. We believe that the long term success of Hult IBS depends upon its ability to attract high quality students and faculty and thereby build its brand and reputation.

In summary, Hult IBS's position in the rankings is not sustainable as it is built on factors that are easy for others to establish.

Summary of Resources

The analysis of resources does not paint a strong image of Hult IBS. Their resources are summarised as:

- Significant but not unique capital resources
- Non-academic sales and marketing resources unusual for a business school
- First mover advantage, although offering little protection
- Initial strong signs in MBA Rankings without a track record yet

This seemingly limited set of resources will define where Hult IBS will position themselves in the market. Indeed this is not a strong image, yet an interesting question is to ponder what is usually expected from a new entrant in a market. Also with a new market entrant it can be very difficult to observe the real strengths of an actor as these often reveal themselves over time. It is our view that this is a limitation of this high level analysis which we will discuss in the conclusions in chapter 6.

5.2.2. Capabilities

A firm's capabilities are generally defined as what the firm can do. To identify Hult IBS's capabilities we have looked at the principal functions of the company and identified capabilities connected to these functions (Grant, 2005). We have also considered the dynamic perspective on capabilities. The perspective presents an explicit argument for the importance of both exploiting current capabilities and developing new capabilities to create sustainable competitive advantage.

Adaptability

The way Hult IBS is structured enables adaptability. As the school hires its professors on a consultancy basis it can easily adjust the competence of its academic staff and thereby the curriculum to changing market needs. And as the school has local marketing and sales staff they can quickly pick up local trends and happenings. This enables Hult IBS to adapt and change its message locally. The school can also decide to put more efforts on a specific region as staff members are present on almost every continent. Adaptability seems to be a vital part in all of Hult IBS's operations. The school always looks for ways to develop as the market needs and consumers preferences change. One example of this is the school's plan to start bachelor and masters programs in addition to its MBA program. According to Hodges the reason for this is a decreasing demand for MBA degrees, yet we believe this strategy could also be used to increase the scope of services offered by the school. Another example of Hult IBS's adaptable nature is how it saw potential in Dubai as a growing business region and founded a campus in the country.

Adaptability can be seen as a dynamic capability as it enables Hult IBS to develop new capabilities in accordance to market development. Adaptability is very important for a new actor in the market as it often has to find a niche. This is especially important in a mature market such as the MBA market. As the company matures adaptability becomes less important. Rather, focus and getting good in a specific area becomes essential. Hult IBS is still developing and struggling to build its brand and finding a niche, hence so far adaptability has served the school well.

Viewing Market from a New Perspective

Hult IBS has the ability to look at the market in a new way and by doing so it has been able to act in a different way than its competitors. Hult IBS operates more like a business than a typical business school. Hodges comes from a business background rather than an academic and instead of letting regular faculty members manage the school's sales and marketing activities, Hult IBS has hired marketing and sales professionals. The school is not conservative when it comes to its marketing and is proud to use new marketing channels such as Facebook and has five full-time staff whose job is to build relationships with employers. The school seems to be in business to make profit and cut cost by hiring its professors on a consulting basis which is an unusual approach. Furthermore, Hult IBS quickly identified which ranking criteria it could get a high rank in and worked to develop these areas.

Hult IBS brought a one year European style MBA program into the US which indicates its ability to think with a global mindset. When they realized that this was not a sustainable position, Hult IBS put effort into becoming a "truly global MBA program" which reflects that the mindset can be considered as a dynamic capability. The fact that Hult IBS's parent company EF is a truly global company makes a global mindset natural for the school. EF has accumulated knowledge and experience from working in international markets and from its start it has been logical for Hult IBS to use this knowledge.

Global Approach and Coordination

Hult IBS has built a system in which all campuses have the same curriculum, methods and structure. This enables the students to choose which campuses they want to attend during their MBA program and makes it possible for them to switch campuses. Obviously, Hult IBS aims to coordinate transfers in-between the different campuses in a smooth way. It seems like the school will be able to achieve this but as the majority of the campuses were opened in 2008 it is hard to draw any definite conclusions.

The global approach and coordination can be seen as an important capability. One of the reasons for this is that it can lead to economies of scale as the campuses are run under one system. When expanding to other locations Hult IBS has simply transferred the system that it used in its Boston campus. This simplifies the expansion of the school and can lead to cost savings. Another advantage of the school's global approach and coordination is risk reduction. By having campuses in different regions Hult IBS can spread its risk as it is less volatile to specific market changes.

Summary of Capabilities

Overall we have found that Hult IBS has strong capabilities. This should not be surprising as they have clearly executed well in terms of entering the new market. Unfortunately as discussed in the previous section 5.2.1, these capabilities are based on seemingly weak resources. So all we can really say from this analysis is that they are very capable at executing and using their limited resources.

5.2.3. Competitive advantage

Looking back on the MBA market we have seen that differentiation and finding an attractive niche is a way to gain competitive advantage in the MBA market. As more and more actors are offering MBA degrees and the degree is offered in a wealth formats it is clear that an MBA degree's value is

dependent on which school it is attained at. Students buy the brand of the school, and the degree is often a big investment for them. Because of this it is important that the value of the brand does not depreciate over time. This implies that the school must find a sustainable market position.

Hult IBS is still working on establishing its schools in the market. Analyzing our empirical findings we consider the points below to be what Hult IBS consider as its competitive advantage. We will analyze whether this is the case.

- Global presence
- International student body
- One year US program
- Proactive sales and marketing
- Career service

The question is whether these can lead to competitive advantage and whether these are sustainable and can lead to economic rents. Only resources and capabilities that are scarce and valuable can lead to competitive advantage (Grant, 2005). There are four characteristics of resources and capabilities that are important determinants of competitive advantage: durability, transparency, transferability, and replicability (Grant, 1991). This is discussed below.

Hult IBS's *global presence* is scarce as no other actors have built a similar system. It is too early to say whether it is valuable as we do not know if there is a demand for it. Having studied abroad is becoming an important merit and Hult IBS has built a system that simplifies the movement between countries during the program. As the demand for international experience is increasing we believe that this can be a durable resource even though many business schools offer the opportunity to study abroad. Furthermore, few actors have the adequate knowledge of what is required to open a school in a country such as the United Arab Emirates or China. So even though some actors might have enough financial resources to acquire and open up schools in other countries they do not have the international knowledge and experience that Hult IBS has gained from its parent company EF, hence the transparency can be considered low. Because of the experience that Hult IBS has acquired from EF we do also believe that the transferability of its global structure is hard to imitate as it is built on knowledge that the company has gained over the years. It is hard to say anything certain about the replicability up to date as it is too soon to say how the system works in practice as it is so new. One can however assume that it will be hard to replicate as the system has been built after Hult IBS's school in Boston and has benefited from EF's experience. Hult IBS's global presence has the potential to become a sustainable competitive advantage for Hult IBS and can possibly lead to economies of scale. This does however remain to be seen as many of the campuses are newly opened and it is too early to judge whether the coordination in-between the schools actually will work and what the demand for it will be.

As the mobility in-between countries is increasing having an *international student body* and a *one year program* can not be considered scarce, especially not in the long run. Schools can choose to attract an international student body and accept an increasing number of international students. Hence, the transparency and transferability of having an international student body is considered to be low. Furthermore, it is evident that a rising number of one year US MBA programs are entering the market

hence it is easy to replicate and can not be considered durable. On a global market such as the MBA market, students can choose to pursue their MBA in a variety of countries. On a global scale there is no scarcity when it comes to one year programs.

Hult IBS has built a team of *sales and marketing professionals* that works locally in different countries to attract students. This enables the school to work proactively and adapt to different markets. As we have not been able to find any other schools using a similar system we consider this to be scarce. This system is valuable as competition intensifies making it important to be proactive when attracting students. It would be possible for other actors to hire sales and marketing professionals. The competitive advantage does however not lie in the sales and marketing teams in itself, rather it lies in the approach Hult IBS has to its competition. Hult IBS is run more like a company than a school. The business approach that Hult IBS has to the market is hard for other actors to imitate and replicate as it is a part of the school's corporate culture, which has been built over time. As it is a part of Hult IBS corporate culture it is also difficult to transfer. Hence, we believe this to be a competitive advantage.

When it comes to the school's *career service* we believe that this is something that others can easily improve or acquire if they have the financial resources to invest in it. Although Hult IBS has a well functioning career service, we believe that this is becoming more of a bread and butter product than something that can lead to a competitive advantage. Furthermore, a good career service can not compensate for high quality students.

Summary

We believe that Hult IBS has two competitive advantages: its global presence and its business approach to the market, which includes its proactive sales and marketing efforts. These two have the potential to become sustainable. Looking back on what is important in the MBA market we can see that the proactive sales and marketing teams can help Hult IBS to attract students and position the school. By its global presence Hult IBS has found a niche that can help to differentiate the school. By combining these two competitive advantages Hult IBS has potential to build its brand in the market.

5.3. Positioning

Given our analysis in sections 5.1 and 5.2 we now have a good understanding of the MBA market and Hult IBS's strengths. Section 3.1.2 also covered detail about the importance of positioning. In general we can say that in order to compete successfully a firm must choose a suitable position that allows it to possess competitive advantages over its rivals.

The initial position of Hult IBS was to be a "one year US program" and bringing the European format of the MBA program to the US was thought of as a way to differentiate the school and attract international students. Emphasis was on the lower alternative cost one year programs have compared to two year programs. Hult IBS also had a strong cost focus internally, mainly shown through not having full-time academic staff. Furthermore, Hult IBS targeted a specific market segment: international students that wanted a one year US full-time MBA degree.

In this phase Hult IBS was as Porter (1980) describes it “stuck in the middle”, i.e. it had failed to choose between cost leadership and differentiation. The tuition fee for Hult IBS is not particularly low compared to other schools’ tuition fees. The alternative costs for attending a one year program compared to a two year program is lower but being a one year US program is not a sustainable position as it is easy for others to copy. Additionally, the MBA market is global and we believe that the brand of the school is more important than whether it is a European or US program. Hult IBS was neither differentiated enough nor did it have significantly lower costs of the program than other actors. This is illustrated in figure 5.

Target Scope	Advantages	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Figure 5. Hult IBS position within Porter’s generic strategies

Today, Hult IBS says that the school’s position is a “truly global business school”, having campuses in four different countries and by offering campus rotation. Hult IBS does however also continue highlighting that it is a one year US program targeted towards an international student body. Additionally, the school highlights its cost focus internally as well as externally. Hence, we believe that Hult IBS still is “stuck in the middle” between low cost focus and differentiation focus strategy.

The MBA market is highly competitive and actors in the market must differentiate themselves in order to survive. Thus, we believe it to be vital for Hult IBS to move towards a differentiation focus strategy. Being “a truly global business school” could be what makes the school unique but it might have to drop its internal low cost focus. Hiring professors on a consulting basis reduce costs for the school but it also hinders the school from establishing a stable quality of its program which is vital for its reputation. The MBA degree is a long term investment for students and if the quality of the program drops, the value of the degree that the students have invested in also drops. Fluctuation in the value of the degree will in the long run make Hult IBS an unattractive choice. This can affect the success and survival of the school.

6. Conclusion and Implications

The main purpose of this thesis was to analyze how a new actor can enter and establish itself in the MBA market. To answer this question we have used Hult International Business School (Hult IBS) as a case study. The secondary purpose of the thesis was to analyze the structure and dynamics of the MBA industry as well as to define sources of competitive advantage. Our analysis used a variety of theory to understand the market as it relates to the subject, understand the subject itself, and then consider how well the subject has positioned itself in the market.

Our key findings are:

- Hult IBS successfully entered the MBA market as a new entrant and has grown its business
- Hult IBS's approach is a useful model for entering the market
- Hult IBS has positive initial signs of being established in the market
- Hult IBS needs to focus more on positioning itself in the market
- The MBA market is rather unconventional since success is not necessarily profit or growth
- The market is also very diverse with different actors competing with different aims

The details of these findings are below. As this is an inductive thesis we have been trying to explain a phenomenon by using already existing theory. This can have led us to miss some important aspects of the MBA market and the development of Hult IBS. Industrial organization theory, used for Outside-in analysis is based on profitability as a measure of success. The MBA market is however driven by many other goals besides economic performance; this has sometimes made the theory somewhat difficult to apply for this particular market. The schools have a limited yearly student intake and the competition is based on getting as qualified students as possible. Market share and seller concentration can therefore not completely describe the competition in the market. To fully understand the market dynamics it would have been useful to apply corporate governance theories that could explain the relationship between different stakeholder (students, academic staff, non-academic staff, management, employers, government, ranking publications etc) in order to see how they are connected to each other and how their demands on the industry shape the goals and the strategy of MBA schools. Moreover, the theories used could not entirely explain the role of the brand in the MBA market. So whilst we could clearly see that brand is one of the most important assets in the MBA market, we believe that the theories of brand building and brand perception would add to the analysis. Concerning the Inside-out analysis, the RBV was suitable for explaining the strategy and the position of Hult IBS today. The theory does not however include the aspect of knowledge transfer and internal coordination of the firm. While Hult IBS possess some important resource and capabilities one question that arises is if and how these assets will be transferred through out the organization. That is a vital factor to take into consideration as the school is rapidly expanding to new geographical areas.

Through buying a school with a functioning faculty, student body, curriculum and accreditation rights Hult IBS has demonstrated a rather simple and successful way to enter the market which can be used by others. This implies that the barriers to entry to the MBA market are fairly low as the only things you need in order to enter the market are adequate financial resources. What has not been demonstrated

however is how to enter the smaller market of only top tier schools. There seem to be massive barriers to entry into the market of top tier of business schools.

It is difficult to measure how well Hult IBS has been able to establish itself in the market. The school is still a recent entrant without a consistent track record. There is however positive signs that they are making good progress. Not only is Hult IBS accepting applications and awarding degrees in multiple countries now, it has also been able to improve its position in the rankings. Hult IBS has healthy enrolments from international students that are increasing and these students are paying a tuition fee that is not discounted. All of this points towards an early establishment of the school. It is however still uncertain how long Hult IBS will be able to maintain its position in the Economist's ranking as the factors it has been ranked high in are easy for others to copy. Furthermore it is also unclear if Hult IBS will be able to improve its position in other rankings. Also worth mentioning is that even though the enrolments are increasing they are still well under Hult IBS capacities. Moreover, the low GMAT scores of the students at Hult IBS indicate that it is not a school of choice, rather whoever applies with minimum qualifications seems to be submitted. In terms of strategy, this approach has validity as they are still building their core business. It is simply too early to determine if they will be successful.

We believe that Hult IBS has found a potential niche in which they can differentiate themselves, which in turn is crucial in order to compete. It must however establish its brand within this niche in order to become a school of choice. We believe a key area of improvement would be quality of education. In order to provide stable quality of education they should change their system of hiring professors on a consulting basis and start competing for high quality full time faculty. This would deliver higher quality students and generate a more favourable position in the rankings. This also implies that its innovative and adaptable nature which has been valuable up to date, will be of less value in the future, as the school must establish a stable brand to attract high quality students and employers.

When it comes to Hult IBS's strengths, we found that it has very few resources that can not be imitated. Although, the global system of schools that Hult IBS has created can become what differentiates the school from others, it is too early to determine if this is the case as we do not know how valuable it will turn to be for potential students. The only resource that makes Hult IBS special is its connection to EF. Through the years EF has developed a deep understanding of the education market and what is needed to establish itself in different markets. This is something that Hult IBS has benefited from and it is likely to do so in the future. Few other actors possess similar knowledge.

During this study it has become evident that it is extremely hard to make a profit in the MBA market. Even though Hult IBS claim to make a profit we have no evidence to support it and we doubt the school's ability to do so in the future. If this is the aim of this venture, we recommend Hult IBS exit the market. A more realistic goal would be to focus on building Hult IBS as a strong brand in the MBA market, a brand that then becomes a resource. It could then expand its scope to other kinds of education, such as bachelor and master education, in which it can leverage this brand. By doing so it can be said to go the opposite way of most business schools which begin with offering bachelor and master degrees and expands into offering an MBA to be legitimate in the market.

Implications

Through this study we have been able to extract the following implications for actors that are considering entering the MBA market:

- If you are not already running a school, buying a business school with already established faculty, student body and accreditation rights is one of few ways to entering the market.
- It is very difficult to enter the first tier of business schools.
- As there are many actors in the market it is important to find an attractive niche and position the school. It does however not stop with that, it is also important to work proactively to promote the school. Hence, brand investments are important.
- As MBA rankings are an important battle field in the market, being ranked high (rank 1 to 35) in at least one of the influential rankings can be a way to gain credibility. It can therefore be good to closely investigate the different rankings criteria to see if you can quickly get a good rank in one of the rankings.
- Consider the resources you have and if/how they can lead to a sustainable competitive advantage.
- Reflect on your reasons for entering the market, making a profit and entering the first tier of business schools can prove difficult.

Recommendations

Buying an established MBA school is a good way to enter this market. However it is important to clearly define the objectives for entering the market. If the objective to entering the market is to make a profit or become a top tier business school, we would advise Hult IBS to rethink their strategy as the market conditions make this very difficult.

When entering the market it is important to be flexible to changing market needs and to find an attractive niche. It is however not enough to find a niche, one must also work proactively in promoting this niche to the target audience. Hult IBS's biggest weakness is their brand which is virtually unknown. Their various efforts should focus primarily on building their brand and defining and selling their differentiation. Despite short term success in the rankings, their brand is still holding them back and will continue to limit their success.

7. Further Research

The goal of Hult IBS is to position itself as a truly global business school. However, the campuses in Dubai, London and Shanghai were established recently making it difficult to evaluate whether the strategy of Hult IBS really works. At this point, it is impossible to observe the perception and the popularity of the campuses outside the US. It is also difficult to draw any sustainable conclusions regarding the coordination and standardization of the campuses. Therefore it would be very interesting and relevant to analyze the position of Hult IBS in five or ten years from now in order to see if the value proposition of the school in fact appeals to the customers.

We have focused on Outside-in and Inside-out analysis in this thesis which only partly explains the structure and the dynamics of the MBA industry. It would be interesting to conduct a study specifically focused on branding within the MBA industry as theories on brand perception and brand loyalty could bring an additional dimension to the dynamics of the MBA industry. It would also be interesting to evaluate the position of Hult IBS from a brand focused perspective and gather data on customers' (students and employers) perception of the school and its brand.

Moreover, Hult IBS presents a unique case within field of human resource management, since the school is managed in a similar way to a company with clear profit goals, at the same time as the school is evaluated on several dimensions that goes beyond profit. It would therefore be interesting to study how the strategy is formulated, implemented and communicated to the employees and if there are any internal conflicts arising from the school having multiple and to some extent incompatible goals.

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