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## Effects of International Human Resource and School Reputation on MBA Performance: A Resource-based View

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**Abstract:** This study analyzes the effect of international human resource and school reputation on European MBA performance based on resource-based view. This research has focused on best European MBA programs that rank top 100 global business schools. In order to clarify the relation influence of these variables, Structural Equation Modeling (SEM) was used to examine the model. The SEM results clearly indicate the mediating role of school reputation in the impact of international human resource on MBA performance in this study. The international human resource has no direct effect on MBA performance and an indirect mediated effect on MBA performance through the school reputation.

**Key words:** Human resource, school reputation, resource-based view

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### INTRODUCTION

The global Master of Business Administration (MBA) program market has become competitive and the impact on higher education has been considerable and continues to grow. The competition of globalization between higher education institutions has increased. According to the annual survey of Financial Times (FT), US business schools still dominated the rankings: 53 of the top 100 global business schools are in the US while only 25 are in Europe in 2012. It is important for European MBA to be operated efficiently. Every European MBA institution has searched for ways to deal with this problem. From 1990s academicians and researchers recognized the importance of educational performance and its related concepts and educational performance became one of the most popular topics. In recent years, various researches have studied to measure the relative efficiency of MBA programs, including Colbert *et al.* (2000). Colbert *et al.* (2000) determined the relative efficiency of the top 24 US MBA programs from Business Week's top 25 programs in the United States. Research on the educational production function and performance has been done by Banker *et al.* (2004) and Caballero *et al.* (2004). However, previous empirical research on the subject is based on U.S. data. So far, few similar studies on European MBA programs have been done. This study discusses the effect of international human resource and school reputation on European MBA performance for the top MBA programs in Europe.

Resource-Based View (RBV) emphasizes the critical importance of internal resources for sustainable

competitive advantage. The scholars of resource-based theory argued that resources must be valuable, rare, costly-to-imitate and non-substitutable to confer competitive advantage (Wernerfelt, 1984). In recent years, many reports in the literature have proposed approaches that resources can use to improve their performance and confer competitive advantage. One of these approaches is human resource or human capital and several studies have focused on its theory and implementation, including those by Jackson *et al.* (2004). Another approach is to use organizational reputation and several have been proposed by Bronn and Bronn (2005) etc.

In view of the preceding research purpose, two major sets of research questions to be addressed in this study are as follows:

- What are the relationships among international human resource, school reputation and MBA performance?
- Does school reputation play an important role between international human resource and MBA performance?

### THEORY AND HYPOTHESES

**Role of IHRM and MBA performance:** According to resource-based view, firms acquire critical human resources that enhance the potential of these human resources which is most difficult to imitate and can provide a firm with sustained competitive advantage (Jackson *et al.*, 2004).

A number of important additional trends and developments in higher education (of which some specifically refer to the European situation) include internationalization, importance of branding, etc. (Moratis and van Baalen, 2002). The globalization or internationalization process is transforming the nature of university education and business schools worldwide (Elkin *et al.*, 2005). These trends and developments pose major challenges to universities and business schools. As a result, universities and business schools are urged to rethink their traditional roles, develop school reputation and are challenged to reposition themselves through international human resource and human capital in this competitive environment. Besides, there was a growing interest in globalization and preparing students for a global marketplace. Many European universities and MBA programs began to look outside of their nation and concentrate on encouraging students from other countries or foreign regions to come to their institution and programs. As a result, most European universities and MBA programs recruited a substantial number of international students and international faculty.

The following relationship has been hypothesized:

- **Hypothesis 1:** There is a positive and significant relationship between international human resource and MBA performance
- **Hypothesis 2:** There is a positive and significant relationship between international human resource and school reputation

**Reputation and MBA performance:** Organizational reputation is an intangible resource, representing an overall assessment of the firm's position and expected future performance (Teece *et al.*, 1997). As a core resource, organizational reputation could be a major factor in gaining a competitive advantage because it is difficult for competitors to match the prestige created by reputation (Hall, 1992). A favorable organizational reputation is a core intangible resource that creates competitive advantage when competitors are not able to match the prestige and esteem it creates (Shrum and Wuthnow, 1988). Roberts and Dowling (1997) suggested that organizational reputation is an extremely important strategic asset and superior performers with favorable reputation are able to sustain superior outcomes for longer periods of time.

School reputation or ranking is considered as an intangible resource, representing an overall assessment of the university's position, teaching and research outcome. Business schools attract high quality candidates and employers by school reputation resource. In general,

MBA employers indicated that the reputation of a school is an extremely important factor in determining whether they actively recruit MBAs from that school.

The following relationship has been hypothesized:

- **Hypothesis 3:** There is a positive and significant relationship between school reputation and MBA performance

## MATERIALS AND METHODS

**Data collection and sample:** This research has focused on best European MBA programs that rank top 100 global business schools. Data from the Financial Times survey (MBA rankings) were used to determine the MBA performance of the top MBA programs in Europe. This study uses the MBA rankings reports developed by the Financial Times (FT) in UK. I examined the annual survey of Global MBA rankings of Financial Times (FT) during the period 2006-2012. The sample for this study is comprised of 189 observations, therefore providing a valid sample size for the subsequent statistical analysis to be carried out.

### Measures

**Independent variables:** International human resource:

- **International students:** Percentage of international students in MBA program
- **International faculty:** Percentage of faculty whose nationality differs from their country of employment in MBA program
- **Faculty with doctorates:** Percentage of faculty with the doctoral degrees in MBA program

### Mediating variable

**School reputation:**

- **MBA ranking  $MR_{it}$ :** Ranking of European MBA programs has been carried out by the Financial Times in MBA program

To provide a convenience data set for the subsequent statistical analysis to be carried out, calculation of academy reputation was made by estimating the inverse of  $MR_{it}$  such as  $1/MR_{it}$ .

### Dependent variables

**MBA performance:**

- **Graduated salary:** The average salaries earned three years after graduation in MBA program. The figures are in US dollars and are not used for ranking

- **Employed at three months:** Percentage of the most recent graduating class that had gained employment within three months in MBA program

**RESULTS**

**Descriptive statistics:** Table 1 shows a statistics summary of the variable statistics for the subsequent statistical analysis to be carried out and reports the Mean±SD of the variables.

**Goodness-of-fit test:** The model presented in Fig. 1 presents the paths of the relationships between the exogenous and endogenous variables as well as the relationships between the endogenous variables. The proposed structural model was tested using  $\chi^2$  statistics indicating acceptable model fit; the  $\chi^2$  statistic was significant ( $\chi^2 = 17.94$ ;  $df = 7$ ,  $p = 0.0023$ ).

Three quality criteria for this model are either well below the highest recommended value or above the minimum suggested values. RMSEA values less than .08 (Hu and Bentler, 1999) indicate adequate model fit. The

result was a measurement model with a good fit. Specifically, the GFI and CFI values reached the acceptable value of 0.9 (0.95 and 0.93, respectively), the NFI and NNFI values approached the acceptable value of 0.9 (0.89 and 0.84, respectively) and the normed chi-square ( $\chi^2/df$ ) value (2.56) was well within the recommended levels of 3.

**Hypothesis test:** In order to test hypothesis 1 thru 3, the proposed theoretical model was tested using LISREL. The results of parameter estimates are reported in Table 2. The international human resource was not a significantly positive influence on the MBA performance. Next, the international human resource had a significantly positive influence ( $p < 0.01$ ) on the school reputation ( $\beta = 0.038$ ,  $t = 7.895$ ). Thus, Hypothesis 2 was supported. In support of hypothesis 3, the International human resource was positively associated with the MBA performance ( $\beta = 1.183$ ,  $t = 3.254$ ,  $p < 0.01$ ). Thus, hypothesis 3 was supported. The international human resource has no direct effect on MBA performance and an indirect mediated effect on MBA performance through the school reputation (Indirect effect = 0.045).

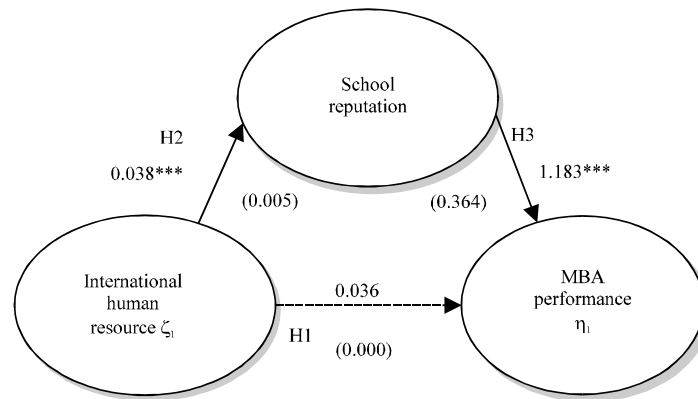


Fig. 1: Relationships between international human resource, school reputation and MBA performance

Table 1: Correlations between international human resource, school reputation and MBA performance variables

	Mean±SD	1	2	3	4	5	6
International students (1)	0.73±0.16	1.00					
International faculty (2)	0.40±0.22	0.37*	1.00				
Faculty with doctorates (3)	0.82±0.15	0.41*	0.30*	1.00			
MBA ranking (4)	54.00±31.56	0.34*	0.60**	0.43*	1.00		
Graduated salary (5)	9.76±1.88	0.20*	0.56**	0.24*	0.61**	1.0	
Employed at three months (6)	0.80±0.13	0.02	0.02	0.16	0.07	0.1	1

\* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ , (N = 189)

Table 2: Paths between international human resource, school reputation and MBA performance

Path	Parameter estimates	Standard error	t-value
H1: International human resource→MBA performance ( $\gamma_{11}$ )	0.036	0.000	0.000
H2: International human resource→School reputation ( $\gamma_{21}$ )	0.038***	0.005	7.895
H3: School reputation→MBA performance ( $\beta_{21}$ )	1.183***	0.364	3.254

\*\*\* $p < 0.01$ , Theoretical model: MBA performance =  $\gamma_{11}$  International human resource +  $\zeta_1$ , School reputation =  $\gamma_{21}$  International human resource +  $\zeta_2$  and MBA performance =  $\gamma_{21}$  School Reputation +  $\zeta_3$

## CONCLUSION

The SEM results clearly indicate the mediating role of organizational reputation in the impact of international human resource on organizational performance. The international human resource and school reputation have been shown to be positively influenced with one another. The school reputation and MBA performance have been shown to be positively influenced with one another. No significant relationship was uncovered between international human resource and MBA performance. The international human resource has no direct effect on MBA performance and an indirect mediated effect on MBA performance through the school reputation. This study provides strong evidence to suggest that the school reputation generated and enhanced MBA performance. As a conclusion, this study hopes the findings of this study will open new avenues for future research in different types of sampling frames and school.

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