THE INFLUENCE OF EDUCATIONAL-FACTOR CAPITAL ON THE TANGIBLE CAREER OUTCOMES OF MBA GRADUATES

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—Abstract—
By the year 2020, Malaysia hopes to achieve the main objective of becoming a high-income advanced nation through the launching of New Economic Model (NEM). To achieve this objective, the country needs quality human capital among its graduates that commensurate with higher tangible rewards. This study looks at the scholastic, social, cultural, and inner-value capital of individuals, gained during the attainment of MBA studies, and their relationships to the tangible career outcomes of salary gain, number of promotion, and managerial rank. 156 MBA alumni returned the self-administered online survey. Multinomial logistic regression is employed to test the hypotheses and the results are found to be partially supported. A major finding reveals that cultural capital is significantly associated with the likelihood of higher tangible career outcomes. Findings from this study allow educational providers and policy makers to have better understanding in assessing specific educational capital, gained through a specific educational program such as MBA, on tangible career success outcomes.

Key Words: Educational capital, Tangible career outcome, MBA
JEL Classification: I20
1. INTRODUCTION

1.1. Overview

The impact of human capital stock on career efficacy is crucial to the economic performance in Malaysia towards achieving a high-income nation status by the year 2020. As it is one of the main goals of Malaysia’s New Economic Model (NEM), the formation of knowledge-based workforce is fundamental in the development of human capital. Thus, by investing in a professional qualification such as an MBA degree, the quality of human capital is enhanced and subsequently, would generate a positive career outcome (Wellman, Gowan & White, 2006).

Career success, as the ultimate reward for acquiring and accumulating credentials and competencies, is the study of many researchers (Nabi, 1999; Kuijpers, Schyns & Scheerens, 2006). As it stands, studies in the West have established significant association between career success and MBA attainment (Zhao, Truell, Alexander & Hill, 2006; Eddleston, Baldridge & Veiga, 2004). Their findings have led to the widely accepted views that the career success outcome is influenced by the higher ability and functionality gained from quality qualification. Graduates of professional degrees such as MBA are expected to achieve tremendous personal gains in terms of salary and job position as a result of their schooling experience (Ehrenberg, 2002).

Human capital as one of the determinants of managerial career success has been empirically studied (Judge, Cable, Boudreau & Bretz, 1995; Tu, Forret & Sullivan, 2006) and analytically compared (Ng, Eby, Sorensen & Feldman, 2005). It is worth noting that there is varied usage of human capital as predictors of career success in the previously mentioned studies. Mixed and narrowly defined attributes of human capital, which is commonly measured by the type and level of education, are the concerns to be addressed. According to Useem and Karabel (1986), human capital that is gained through educational process also encompasses other types of capital, which are scholastic, social, and cultural. Apparently, there is a paucity of evidence on the dimensions of human capital as bestowed by educational institutions, and later the inclusion of two more dimensions; inner-value and market-value capital (Baruch, Bell, and Gray, 2005).
1.2. Objective of the study

It is the aim of this study is to investigate the career success of MBA graduates from the perspective of educational-factor capital. Based on the issues discussed earlier, the following query provides guidance to this study: Does the educational-factor capital have significant influence on the career outcomes of salary gain, number of promotion, and managerial rank of MBA graduates?

The present study applies the human capital approach in examining the relationship between educational capital and career success of MBA graduates. Basically, the discussion of human capital theory as posited by Becker (1993) centralizes on the accumulation of own capital that contributes to the higher productivity and efficiency of an individual. This study focuses on the educational-factor capital as the predictor of career success by redefining human capital within the context of a specific educational input.

2. LITERATURE REVIEW

2.1. The concept of career success

Given the importance of individuals’ perception of career success, consideration should be given to understand the attributes and values in the pursuit of career progression. Ballout (2007) underlines the three well known approaches to career success; the individual, structural, and behavioral perspectives. Based on the human capital and motivational theories, the first approach is relevant as it concentrates on the individual who maximizes his education and skills in developing his own human capital to achieve career success. The association between human capital variables and career success has been investigated and supported in the previous studies (Kirchmeyer, 1998; Ng et al., 2005).

Career success can be measured extrinsically when the society values the achievement of wealth and social standing (Ng et al., 2005). Obtaining a higher salary and ascending the corporate ladder would enhance the perception of a successful career. Many conventional studies tend to concentrate on the extrinsic measures of career success (Eddleston et al., 2004; Chênevert & Tremblay, 2002; Wellman et al., 2006). Their explanation on the concept of career success coincides with the main goals of individuals i.e. to gain more money through higher salary and achieve social position through promotion and job title. Compensation and promotion are often included as the measurement of tangible career success (Eddleston et al., 2004; Zhao et al., 2006) while the hierarchical
level or management responsibility has been considered also (Wellman et al., 2006; Cocchiara, Kwesiga, Bell, & Baruch, 2010).

2.2. Educational-factor capital

The role of educational institutions in providing quality qualification is very much related to the accumulation of specific human capital in an individual. Useem and Karabel (1986) have noted that there are three distinct types of human capital that graduates may gain from educational institutions: scholastic capital (the amount of knowledge acquired), social capital (personal contact and network ties), and cultural capital (the value society places on the symbols of prestige). The contention that the three types of human capital will be provided by educational quality, measured by the status and quality of a university, is referred in the work of Judge et al. (1995).

Scholastic capital or knowing-how refers to the knowledge, skills, and competencies acquired from educational attainment. Some educational programs have unique and specific features embedded in the curriculum to provide explicit knowledge to their graduates (Baruch, 2009). Raider and Burt (1996) define social capital as “the structure of individuals’ contact networks, the pattern of interconnection among the various people with whom each person is tied.” Social capital or knowing-whom is enhanced through personal contact and participation in the activities of graduate programs (Cocchiara et al., 2010). Cultural capital refers to the value society places on the symbols of prestige or the perceived quality of the school attended. Judge et al. (1995) use this basis to place educational quality as part of human capital based on the belief that a graduate from prestigious institutions would have a more successful career. The qualification gained from accredited and top-ranked institution may accelerate career ascendancy and high-status professions (Wellman et al., 2006). Inner-value capital is an extension of the three distinct dimensions of human capital embedded in graduates as noted by Useem and Karabel (1986). According to Baruch et al. (2005), inner-value capital or knowing-why comprises internal competencies or self concepts such as self awareness, efficacy, esteem, and confidence.

2.3. Theoretical framework

This study proposes to hypothesize as follows:

H1: MBA graduates with educational factors are more likely to obtain higher salary gain
H2: MBA graduates with educational factors are more likely to have more promotion
H3: MBA graduates with educational factors are more likely to gain higher managerial rank

3. METHODOLOGY

3.1. Design and sampling

This study employs the quantitative method of descriptive and inferential statistics to precisely predict the extent of the relationship between educational-factor capital and career success. The unit of analysis involves individuals who enrolled in MBA part-time program of public universities and graduated between the year 2004 and 2008. The sampling frame is extracted from the database of graduate schools, alumni associations, and MBA graduate links.

The primary research instrument is a self-administered questionnaire, designed and formatted as an online survey form. A unique survey link was created and distributed to the email addresses from the database list. To complete the survey form, a respondent needs about 15 to 20 minutes. An approximate of three-month time was taken to gather the 156 responses from the online survey participation.

3.2. Measures and tools of analysis

The four educational specific capital comprises scholastic, social, cultural, and inner-value are measured with interval scales by asking participants to respond on a 7-point Likert-type scale from 1 ‘very low’ to 7 ‘very high’ (Baruch et al., 2005). There are three items each to measure scholastic capital, social capital, and inner-value capital and four items on cultural capital. Altogether there are 13 items assessing the four educational capital dimensions.

The measurement of tangible career success is adapted from Wellman et al. (2006), whereby all the participants were asked to give information on their salary gain, number of promotion, and managerial rank after they obtained their MBA degree. Salary gain is categorized into three levels; low salary gain (less than 30%), median salary gain (30% to 70%), and high salary gain (more than 70%). The number of promotion indicates the total number of times graduates were promoted after MBA and divided into three levels; no promotion, one-time promotion, and more than one-time promotion. Managerial rank is assessed
through a three-level scale; entry level, middle management level, and top management level.

Multinomial logistic regression is employed to find the best linear combination of predictors to maximize the likelihood of obtaining the observed outcome frequencies (Tabachnick & Fidell, 2007). To assess the overall model fit, three approaches are utilized; the Chi-square test for the change in the likelihood (-2LL), Pearson and Deviance statistics, and pseudo $R^2$ measures (Hair, Black, Babin, Anderson & Tatham, 2006; Field, 2009). A statistically significant Chi-square of the difference between the -2LL values indicates that the final model is a better fit model. For the Pearson and Deviance statistics, the non significant values support the model fit as they imply no significant difference between the observed and predicted values of the model. The pseudo $R^2$ utilizes the Cox and Snell $R^2$ and Nagelkerke $R^2$ whereby the former measures the effect size (indicating the usefulness of the explanatory variables in predicting the response variable) and the latter adjusts it to achieve the perfect value of one. In logistic regression, the two pseudo $R^2$ operate as the functions of $R^2$ and adjusted $R^2$.

To interpret the results of multinomial logistic regression, the measures of the focus are the $B$ coefficient values and odds ratio $Exp(B)$ (Pallant 2005; Tabachnick & Fidell, 2007; Field, 2009). If the test reveals the value of $B$ coefficient as significantly different from zero, it indicates that the predictor is a significant contributor to the prediction of the outcome. $B$ coefficient value is interpreted as the maximum likelihood estimates with the sign indicating whether the odds is increasing or decreasing. The odds ratio of $Exp(B)$ signifies the change in the odds of being in one of the categories of outcome resulting from a unit change in the predictor. If the value of $Exp(B)$ is greater than one, the odds of the outcome occurring increases as the predictors increase and conversely, if the value of $Exp(B)$ is less than one, the odds of the outcome occurring decreases as the predictors increase.

4. FINDINGS AND CONCLUSION

4.1. Demographic profile

The demographic profiles of respondents by frequency counts and percentage distributions were tabulated. The age of the MBA graduates ranges from less than 30 to more than 50 years old in which the range of 35 to 39 years old has the highest score (52%). Male respondents lead the females by only 9%, a difference
between 85 males and 71 females. A large percentage of MBA graduates who participated in the survey are married (80.1%), single (19.2%) and divorced (0.7%). In terms of ethnicity, the Malays hold the majority of 82.7% followed by Chinese (10.9%), Indians (4.5%) and other race (1.9%). As such, the majority of the respondents are in the age range of 35 to 39 years old, male, married, and Malay.

4.2. Hypotheses testing results

A data set for regression analysis consists of four educational factors; scholastic (SCH), social (SOC), cultural (CUL), and inner-value (INN) capital are estimated to predict the likelihood of the three measures of tangible career success; salary gain, number of promotion, and managerial rank. A logistic regression equation to test the hypotheses is depicted below.

\[ P(TNG) = \frac{e^{(b_0+b_1SCH+b_2SOC+b_3CUL+b_4INN)}}{1+e^{(b_0+b_1SCH+b_2SOC+b_3CUL+b_4INN)}} \]

Where;
- \( P(TNG) \) = The probability of tangible career success occurring
- \( SCH \) = Scholastic; \( SOC \) = Social; \( CUL \) = Cultural; \( INN \) = Inner-value

Salary gain

For the overall model fit, the final model is statistically significant (\( \chi^2 = 16.54, p < 0.05 \)), indicating significant difference between the constant-only model and the full model. The insignificant difference between the predicted and observed values is supported by the Pearson and Deviance statistics (both, \( p > 0.05 \)). Variation in the categories of salary gain is explained between 10.1% (Cox and Snell \( R^2 \)) to the adjusted 11.8% (Nagelkerke \( R^2 \)).

Output from Table 1 shows that none of the educational-factor capital is a significant predictor in the median salary gain. Except for scholastic capital, a one unit increase in social, cultural, and inner-value capital shows that the odds of getting median salary gain also increase (\( Exp(B) > 1 \)). In the high salary gain category, cultural capital (\( B = 1.107, p < 0.05 \)) significantly predicts the ‘more than 70%’ salary gain as opposed to the ‘less than 30%’ salary gain with the odds ratio (\( Exp(B) = 3.026 \)) increases by 203% with a one unit increase in cultural capital. Social capital is almost significant in predicting the high salary gain with
the change in odds of 0.47 times as likely with a one unit change in social capital. In other words, a one unit increase in social capital, the likelihood of getting high salary reduces by 53%.

Table 1: Multinomial Logistic Regression Coefficients for Salary Gain

<table>
<thead>
<tr>
<th>Parameters</th>
<th>B</th>
<th>SE</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-1.298</td>
<td>1.944</td>
<td>.504</td>
<td>.466</td>
</tr>
<tr>
<td>Scholastic</td>
<td>-.763</td>
<td>.401</td>
<td>.057</td>
<td>1.624</td>
</tr>
<tr>
<td>Social</td>
<td>.485</td>
<td>.295</td>
<td>.100</td>
<td>1.094</td>
</tr>
<tr>
<td>Cultural</td>
<td>.367</td>
<td>.304</td>
<td>.227</td>
<td>1.444</td>
</tr>
<tr>
<td>Inner-value</td>
<td>.100</td>
<td>.374</td>
<td>.790</td>
<td>1.105</td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>Sig.</th>
<th>Exp(B)</th>
</tr>
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<tr>
<td>Intercept</td>
<td>-.705</td>
<td>2.618</td>
<td>.788</td>
<td>.934</td>
</tr>
<tr>
<td>Scholastic</td>
<td>-.068</td>
<td>.592</td>
<td>.908</td>
<td>.470</td>
</tr>
<tr>
<td>Social</td>
<td>-.754</td>
<td>.387</td>
<td>.051</td>
<td>3.026</td>
</tr>
<tr>
<td>Cultural</td>
<td>1.107</td>
<td>.490</td>
<td>.024</td>
<td>.677</td>
</tr>
<tr>
<td>Inner-value</td>
<td>-0.390</td>
<td>.561</td>
<td>.488</td>
<td>.677</td>
</tr>
</tbody>
</table>

Salary gain has three categories: 1(low), 2(median), 3 (high). Reference category is 1 (low).

Number of promotion

The full model is utilized to analyze the association on the likelihood of number of promotion. Overall goodness of fit is evaluated based on the model fit summary, where the value of Chi-square ($\chi^2$) is 8.89 ($p > 0.05$), indicating insignificant difference between the constant-only model and the full model. However, both the Pearson and Deviance statistics are not supportive of the insignificant difference. The variation explained is low, ranges from 5.5% (Cox and Snell $R^2$) to 6.3% (Nagelkerke $R^2$).

The parameter estimates of the full model, depicted in Table 2, register the first category (no promotion) as the reference category. In the one-time promotion category, none of the educational-factor capital statistically contributes to the prediction. Cultural capital ($B = 0.775, p < 0.05$) is the single significant predictor in the likelihood of ‘more than one-time’ promotion and with a positive $B$ value. Where the odds ratio of the other three predictors show decreasing likelihood, the odds of MBA graduates with a unit increase in cultural capital being in the ‘more than one-time’ promotion than in no promotion category increase by 117% ($Exp(B) = 2.171$).
Table 2: Multinomial Logistic Regression Coefficients for Number of Promotion

<table>
<thead>
<tr>
<th>Parameters</th>
<th>B</th>
<th>SE</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
</thead>
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<tr>
<td>One-time</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>-1.006</td>
<td>2.142</td>
<td>.639</td>
<td>.399</td>
</tr>
<tr>
<td>Scholastic</td>
<td>.621</td>
<td>.447</td>
<td>.165</td>
<td>1.863</td>
</tr>
<tr>
<td>Social</td>
<td>-.069</td>
<td>.314</td>
<td>.825</td>
<td>.918</td>
</tr>
<tr>
<td>Cultural</td>
<td>.038</td>
<td>.335</td>
<td>.910</td>
<td>1.069</td>
</tr>
<tr>
<td>Inner-value</td>
<td>-.278</td>
<td>.410</td>
<td>.498</td>
<td>.740</td>
</tr>
<tr>
<td>More than one-time</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>-.376</td>
<td>2.349</td>
<td>.873</td>
<td>.182</td>
</tr>
<tr>
<td>Scholastic</td>
<td>-.066</td>
<td>.485</td>
<td>.892</td>
<td>.936</td>
</tr>
<tr>
<td>Social</td>
<td>-.332</td>
<td>.349</td>
<td>.340</td>
<td>.717</td>
</tr>
<tr>
<td>Cultural</td>
<td>.775</td>
<td>.389</td>
<td>.046</td>
<td>2.171</td>
</tr>
<tr>
<td>Inner-value</td>
<td>-.210</td>
<td>.455</td>
<td>.644</td>
<td>.810</td>
</tr>
</tbody>
</table>

Promotion has three categories: 1 (none), 2 (one-time), 3 (> one-time). Reference category is 1 (none).

Managerial rank

The third measure of tangible career success, managerial rank is indicated by the entry, middle, and top management level. Entry level encompasses the supervisory and junior managers while the top level covers the senior managers and top most level. Chi-square value shows significant difference between constant-only and full model ($\chi^2 = 16.04, p < 0.05$). This is supported by the Pearson and Deviance statistics.

Table 3: Multinomial Logistic Regression Coefficients for Managerial Rank

<table>
<thead>
<tr>
<th>Parameters</th>
<th>B</th>
<th>SE</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle level</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>2.263</td>
<td>2.319</td>
<td>.329</td>
<td>1.141</td>
</tr>
<tr>
<td>Scholastic</td>
<td>.345</td>
<td>.450</td>
<td>.444</td>
<td>1.411</td>
</tr>
<tr>
<td>Social</td>
<td>-.243</td>
<td>.341</td>
<td>.476</td>
<td>.784</td>
</tr>
<tr>
<td>Cultural</td>
<td>.313</td>
<td>.344</td>
<td>.364</td>
<td>1.367</td>
</tr>
<tr>
<td>Inner-value</td>
<td>-.577</td>
<td>.431</td>
<td>.181</td>
<td>.562</td>
</tr>
<tr>
<td>Top level</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>1.910</td>
<td>2.678</td>
<td>.476</td>
<td></td>
</tr>
<tr>
<td>Scholastic</td>
<td>.213</td>
<td>.542</td>
<td>.694</td>
<td>1.237</td>
</tr>
<tr>
<td>Social</td>
<td>-1.076</td>
<td>.406</td>
<td>.008</td>
<td>.341</td>
</tr>
<tr>
<td>Cultural</td>
<td>1.186</td>
<td>.443</td>
<td>.007</td>
<td>3.275</td>
</tr>
<tr>
<td>Inner-value</td>
<td>-.558</td>
<td>.519</td>
<td>.282</td>
<td>.572</td>
</tr>
</tbody>
</table>

Rank has three levels: 1 (entry level), 2 (middle level), 3 (top level). Reference category is 1 (entry level).

Output from Table 3 shows that social and cultural capitals are the significant predictors in the top management category. Again, cultural capital leads in this category with positive $B$ value, indicating the odds of graduates being in the top
level as compared to the entry level increases by 228% when they gain one more unit of cultural capital. Seemingly, social capital is significant in predicting the top level category with decreasing odds of 70% or 0.3 times as likely when one unit change in the capital is incurred.

4.3. Conclusion

Contrary to the past research finding, cultural capital is found to be the most significant contributor for all the three measures of tangible outcomes. As the society placed some values on the symbols of prestige gained by graduates with MBA education, the three tangible career outcomes are more likely to be greater. The finding that cultural capital has the highest prediction power on tangible career success contradicts with the finding of Baruch et al. (2005) that yielded scholastic capital instead. Similarly, scholastic knowledge is rated as the highest perceived outcome of MBA program by South African graduates (Louw, Bosch, & Venter, 2001). Perhaps in Malaysia, MBA attainment is culturally acknowledged as one of the most current and prestigious qualifications as the program only came into the local scene in the 1980s, almost 100 years after its first introduction in the United States. The growing rate of MBA program providers in Malaysia allows degree seekers to pursue MBA education that suits their choice and add prestige in the community of the business world.

The results also demonstrate that graduates with more social capital are less likely to be in the senior/top level managerial rank. It is reflected that social capital (social networking and gaining contacts), gained from the educational attainment process, has smaller likelihood to be in the highest category of managerial level. This finding is inconsistent with the positive relationship between social capital and career success outcomes found by Lin and Huang (2005) in which social capital is viewed as the individual’s human capital at work that produced information and benefits (Burt, 1997). There is a possibility that female graduates, who made up almost half of the participants in this study, may lack the social networks needed to gain higher managerial level (Cocchiara et al., 2010) and that gender factor probably affect the lesser likelihood of being in the top management category.

In conclusion, hypotheses 1 and 2 are partially confirmed and hypothesis 3 is strongly supported. MBA graduates with symbols of prestige are significantly associated with the greater likelihood of having higher salary gain, being promoted more than once, and being in the top management level. On the other
hand, MBA graduates with social networking are less likely to be in the senior or
top management level. Hence, these findings suggest that educational institutions
should imprint their image and quality so as to impact their graduates’ gain in
capital and future tangible returns.

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