The Country Vignette Series 2019:
Pre-experience graduate management education in Germany
The Country Vignette Series has been developed to illustrate how pre-experience business master’s degrees have evolved over a 10-year period. Focusing on the supply of, and demand for, English-language taught master’s programs in a single country, each vignette combines quantitative data—compiled from Graduate Management Admission Council™ (GMAC™) research on the entire market—with qualitative insights from domestic business schools.
Pre-experience graduate management education in Germany

Until relatively recently, Germany’s graduate management education market was tiny when compared with its continental peers. While students enjoyed access to a renowned diplom system, residents of Europe’s largest economy overwhelmingly chose to study master’s degrees at schools in the United States and the rest of the European Union (EU). Historically, German university education centered on the diplom—a long-cycle, first-degree qualification considered by many German employers to be on par with a master’s. As a result, diplom holders often saw no real benefit to pursuing an additional graduate business degree. But today EU-wide government reforms have transformed the German education system, turning the market for management education into a European goliath.
The Bologna Accord, a series of agreements named after the Italian city where they were initially signed in 1999, harmonized higher education across the European continent. Germany and all participating nations pledged to align around a bachelor-master-doctoral degree structure by 2020. Diplom qualifications are therefore slowly being phased out, and over 90 percent of programs at German universities now lead to bachelor’s and master’s qualifications. This evolution has led to new opportunities for Germany’s graduate education market, particularly in the provision of pre-experience master’s degrees. Data from the Graduate Management Admission Council™ (GMAC™) show that the number of master’s programs offered by German business schools skyrocketed by 964 percent, from 14 in 2007 to 149 in 2017, with most of the growth coming from Master of Science (MSc) courses. These figures clearly show an explosion in program supply across Germany.

Many of the master’s degrees being offered are specialized, such as the MSc in Finance. Under the German system, business schools are required to follow a structure when establishing new master’s degrees, but they are given autonomy to define the curriculum. “At first, many German universities just translated their diplom degrees into bachelor’s and master’s degrees, but now they realize they have the chance to deep dive into specialist topics,” says Dr. Steffen Löv, assistant dean and program director of the MSc degrees at WHU, Otto Beisheim School of Management in Vallendar. “10 years ago, there were 1,000 graduate programs in Germany; now there are more than 9,000,” according to the German Academic Exchange Service (DAAD).
Per Löv: “The Otto Beisheim School started with the MSc in Management, which has been successful. In 2013, we offered the first specialized master’s degree (in finance). Later that same year we added a Master in Entrepreneurship as we see the graduate world is changing, with more students interested in becoming their own boss.” But both student and employer interest have led to the growth in provision of management training, he says. “Business and education have come together over the past 15 years. Companies are giving us more feedback, constantly. We have advisory boards made up of business leaders who tell us what fields we should be looking into to provide students with specialized knowledge, so they are able to get jobs upon graduation.”

German businesses were initially concerned that the new degree structure—which reduced the length of time students historically spent acquiring their first degree under the diplom structure—could reduce the quality of recruits because they would have less time to learn the skills they needed to perform in the workplace. But firms recognized that there was a growing need to bring the professional dimension into studies. Many eventually warmed to business master’s degrees, as the programs focused heavily on getting graduates workplace ready through internships and other work placements.
The MBA degree, pioneered by business schools in the United States, is not a strong facet of German management education. “We offer the MBA, but it has always been a niche project in Germany,” Löv says. “The MBA isn’t as popular as it is in the United Kingdom, United States, or Spain, where it’s considered the flagship management degree.” Despite GMAC™ data showing that the number of MBA programs has grown from 32 in 2007 to 49 in 2017, “most German students who want to do an MBA still go abroad. And only a small number of companies with a very international focus have historically hired MBAs in Germany.”
Globalization and master’s degrees

German students, enticed by master’s degrees that are recognized by employers across Europe, have flooded into graduate education around the world, and are also applying to domestic master’s programs. In the early days of Bologna, “there was a big political discussion about why we should abandon the diplom structure given its historically high demand for German workers like engineers,” says Löv. “The German government expected that most students would leave university with a bachelor’s degree and start working. But a bachelor’s degree wasn’t seen as equivalent to the diplom [by employers], so most students continued on to a master’s degree.”

Additionally, harmonizing the higher education system with the rest of Europe and beyond attracted applications from a wider range of nationalities than ever before. International students’ qualifications became accepted by German schools, who evolved their admissions processes to adapt to a more diverse pool of master’s degree candidates. Furthermore, overseas students are attracted by Germany’s work ethos, which places a high value on job creation, customer satisfaction, and product or service quality. One barrier to international students is language, but plenty of German business schools, many of which teach their master’s programs in English, offer German lessons free of charge.

Löv says: “When we were in the diplom phase, we had about 10 percent international students at the business school. Among our bachelor’s population, we saw similar percentages of international students as well. But now we have 35-40 percent international candidates across all of our master’s degree programs, people from the United Kingdom, United States, China, Japan, and across the rest of Europe. The entrepreneurial courses have the highest population of domestic German students, whereas the Master in Finance is about 60 percent international, with the Master in Management made up of roughly one-third foreign students.”

He continues: “Whenever we ask students why they’re interested in studying in Germany, they always mention the size of the economy. They consider Germany the economic hub of the European Union. They want to study in English, too. And there are good job prospects in Germany—lots of companies are hiring here. Also, a lot of students want to come here for the low-level tuition fees at public universities.” There are typically no tuition fees for bachelor’s students at public universities, nor if these students continue to a consecutive master’s degree. Tuition fees are charged, however, for master’s degrees if a student has studied for their bachelor’s degree at a different institution. At public universities this is around €20,000 per year, at private institutions it’s closer to €30,000.

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As a result of the internationalization of German higher education, there has not only been an increase in the number of master’s, but also their size. When the Otto Beisheim School of Management launched its diplom, it had 18 students enrolled in the program. Today, there are 160 students enrolled in its three key master’s programs, according to Löv. The driver has partly been the school itself, which has deployed strategies to expand its student population and capitalize on the Bologna Accord. And the Otto Beisheim School is far from alone in that respect. “More universities recognize there are not so many students from Germany anymore; they need to internationalize their student bodies,” Löv says. “More universities are going abroad and informing students about what it’s like to study in Germany, and they are offering more programs in English. In 2000, it was rare if you could study any courses in English at German universities, although there were electives taught in English. Now, there are more than 60 bachelor’s programs in business taught entirely in English. At the master’s level, more than 200 programs are offered in the English language.”
Changes to the student population have required changes to the admissions process. German universities have always had a rigorous and elaborate selection method, but as business schools began to establish master’s degrees, they needed to adapt given the rising number of students with prior work and academic experience.

Domestic and international students are generally recruited and admitted into German business schools in the same way, and standardized tests are increasingly used to evaluate candidates with varied backgrounds and experiences. Across all German business schools, the number of business master’s programs using the GMAT™ exam has increased from five to 62 between 2007 and 2017 (1,140 percent growth). “In this complex academic world, with lots of different courses and universities and types of students, we need to compare them in a more standardized way.” Löv says that the GMAT exam makes up one-fifth of an admissions decision at the school, and as a result, attitudes toward standardized testing have changed among domestic and international applicants over the past decade: “Now it is quite common for students to be much more prepared for the GMAT exam. They look at websites for hints and the best strategies to get a good score.”

The larger number of graduates hitting the German job market has not dented employers’ appetite for talent. Companies see master’s programs as an opportunity to hire highly educated graduates and fill their vacant positions. Löv notes a slight bias among German employers against MBAs, who can have a harder time getting hired because of higher salary expectations, he says. What has changed, however, are the employment sectors master’s students enter. While the majority go into management consulting and financial services, there is a growing trend toward entrepreneurship. “There’s a feeling that it’s easier to found a company now than it was a decade ago; with the rise of the internet,” Löv says. “Also, there’s a trend among German media to promote the topic, whereas in the past, entrepreneurship wasn’t so widely accepted in the media. We also see success stories motivating people to become entrepreneurs. And many of our graduates work in startups in typical management roles—finance, marketing, sales, and product management.”
Future trends

What will change over the next decade, Löv believes, will be the way programs are delivered and the type of content offered. “I believe we will see continued growth in the number of master’s programs offered and the number of specializations will increase too, with more content tailored toward the needs of student populations. And with a growing focus on getting employed quickly and ensuring fast return on investment, we will see a rising number of part-time programs offered in Germany. In fact, the online medium will be huge in the next decade. And in 15 years, who knows; we might all be learning via virtual reality.”
Case study: Soft skills

Increasingly, program design at business schools in Germany is being influenced by a growing demand among employers for graduates who have “soft skills.” These are the interpersonal attributes that allow someone to more effectively interact with others, and typically include listening, empathy, and communication abilities. The WHU, Otto Beisheim School of Management in Vallendar focuses heavily on management science—but it says social skills are just as important as technical abilities. WHU infuses such skills in students via a General Studies module, focused on responsible leadership, communication skills, and intercultural competence. The module draws upon philosophy, psychology, cultural studies, and politics. In particular, teaching centers on ethical dilemmas that influence emotion and human decisions, including the societal impact of recent technological advances.

Demand for soft skills is being driven by employers, who want people who can work effectively in more diverse and globally dispersed teams. Oral communication is one such skill coveted by recruiters, with poor communication and bottlenecks often cited as preventing companies from progressing. Adaptability is another skill that managers are increasingly required to have, as they are expected to navigate a world of volatility, uncertainty, complexity, and ambiguity.

That trend is also having an impact on student selection and graduate recruitment. Dr. Steffen Löv, assistant dean and program director of MSc degrees at WHU, says the school has placed more emphasis on soft skills in the admissions process. Standardized testing such as the GMAT™ exam remain important for evaluating a candidate’s readiness for an academically rigorous master’s program, but the school looks for people who can also demonstrate presentation, communication, and collaboration abilities in addition to more easily quantifiable “hard skills.” The ability to find employment post-graduation is also a consideration when recruiting students. “We believe all students who we consider good enough to enter our programs will be good enough to get a job offer,” Löv says. “In interviews, we ask them for their personal goals. If we had someone who would like to join our school but did not have a sense of where they wanted to end up after graduation, we are possibly not the right place for them. We always look at employment outcomes.”
Appendix: Higher education in Germany

Education in Germany is controlled by the 16 states (Länder) with the federal government playing a minor role. In common with other European countries, tertiary education is offered around a binary system that differentiates between research and vocationally oriented higher education.

German higher education is made up of 121 universities (Universität), 210 universities of applied sciences (Fachhochschulen), and 57 colleges of art and music. A key differentiation between universities and those of applied sciences is that only universities can award doctorates. In general, universities offer a broad range of subjects while universities of applied sciences offer a narrower range of subjects and emphasize applied research.

Admission to a university or a university of applied sciences requires students to hold one of the following:

- A general certificate, the Allgemeine Hochschulreife (more commonly known as the Abitur), which gives entry to all subjects
- A subject-specific certificate, the Fachgebundene Hochschulreife, which limits which course of study can be entered

If studying for either of these certificates, students typically finish secondary education at 19 years of age (depending on the Länder). If, however, a student has studied at a vocational school, they will complete secondary education one year earlier and earn a Fachhochschulreife (widely known as the Fachabitur). This certificate is only accepted for admission to universities of applied sciences.

Irrespective of the higher education institution type, students are awarded a bachelor’s degree after three years of study; a master’s after two years.

Higher education is typically offered by public institutions (87 universities; 103 universities of applied sciences), and hence, no tuition fees are charged.
Notes

One ECTS credit is approximately equal to 0.5 US credits. A four-year bachelor’s degree of 240 ECTS is therefore 120 US credits.

Indicates a competitive entrance process that typically uses a standard assessment
Key data points

Market data based on desk research

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GMAT usage among master’s programs in Germany

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<td>Master’s program using the GMAT exam</td>
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<tr>
<td>Number of GMAT scores received</td>
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<td>Top five source countries for master’s students</td>
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For questions or comments regarding this vignette, please contact GMAC at masters@gmac.com.

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About GMAC: The Graduate Management Admission Council (GMAC) is a global association of leading graduate business schools. Founded in 1953, we are committed to creating solutions for business schools and candidates to better discover, evaluate, and connect with each other. We work on behalf of the schools and the graduate management education community, as well as guide candidates on their journey to higher education, to ensure that no talent goes undiscovered.

GMAC provides world-class research, professional development opportunities, and assessments for the industry, designed to advance the art and science of admissions. Owned and administered by GMAC, the Graduate Management Admission Test™ (GMAT™) exam is the most widely used graduate business school assessment, recognized by more than 7,000 programs worldwide. Other GMAC assessments include the NMAT by GMAC™ exam, for entrance into graduate management programs in India, South Africa, and the Philippines, and the Executive Assessment, specifically designed for executive programs around the world. Our flagship portal for graduate management education resources and information, mba.com, receives six million unique visitors a year, and features the School Search search tool and GMASS™ search service, matching candidates and business schools.

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