

Global Forum on Management Education 2005

“Overview on media rankings”

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1. Introduction

The interests related to media rankings are many and varied. The ranking stakeholders are essentially:

- the Magazines and Newspapers
- the Business Schools
- the Students (prospects, candidates, alumni)
- the Readers.

In a perfect world all of them would have the same objective: to inform, educate, improve quality. The truth is that sometimes these interests conflict. Mutual understanding and collaboration are needed to reach the common goals.

2. The attitude of the Business School Industry to rankings

Surprisingly enough, for many years there was no official reaction to rankings. In particular the various associations of Business Schools did not take a public position on the subject. Only lately AACSB (The International Association for Management Education), with its new statute aimed not only at Accreditation but also at Thought Leadership, took a position on the matter. EFMD acted through EQUAL with the publication of a simple flyer entitled: “A Responsible Approach to League Tables” and is now addressing the problem with more emphasis. This is positive and important.

In recent months some interesting articles and publications have been printed and diffused on the subject of media rankings. Some of them have been used as an important source of information for this presentation. In particular:

- AACSB, 2005 – “*The Business School Rankings Dilemma*” A Report from a Task Force of AACSB International’s Committee on Issue in Management Education, September 2005.

- Andrew J. Policano, "What Price Rankings?", BizEd, September/October 2005.
- Harry DeAngelo, Linda DeAngelo, Jerold L. Zimmerman, "What's Really Wrong With U.S. Business Schools?" (July 2005).

3. Summary of media rankings

There are many rankings. Sometimes, especially in the USA, reference is made almost exclusively to MBA rankings. This is not generally the case. There are also rankings on:

- executive MBAs
- executive Education (open market and tailor made courses)
- specialised masters (Bologna Masters)

Other rankings are probably going to come as a consequence of the new accreditations recently launched by EFMD for undergraduate, graduate and PhD programmes.

Summary of Media Ranking Business Schools and the Criteria used in the Ranking (°)			
Publication	First Survey	Survey Frequency	Weight & Ranking Criteria
Business Week	1988	Every 2 years	45% students' survey, one-half weight to graduating students, one-quarter weight to each of the two prior student survey groups 45% current recruiters' survey 10% faculty publications
Financial Times	1999	Annual	20% recent salary level 20% 3-year growth in salary post MBA 10% faculty publications 8% international faculty & students 5% doctoral student placement 5% faculty with doctorate 4% women faculty & students 28% eleven other criteria
Forbes	2000	Every 2 years	Comparison of the additional salary earned over five years after receiving the MBA to the cost of tuition based on a survey of graduates

U.S. News & World Report	1990	Annual	40% Survey of business School deans 35% starting salaries, employment rates, etc. 25% undergraduate GPA, student GMAT score, acceptance rate to programme
Wall Street Journal	2001	Annual	One-third weighting to each of: -Recruiter perception of School and its students based on 20 attributes -Absolute number of recruiters coming to the School -Recruiter likelihood of recruiting (and of making an offer) at the School in the next two years

(^o) Source: Harry DeAngelo, Linda DeAngelo, Jerold L. Zimmerman, "What's Really Wrong With U.S. Business Schools?"

The above are the most widely read rankings in the USA. They refer only to MBA programmes.

As a matter of fact, there are many other rankings. Some are more widely used in other regions of the world and some refer to other programmes rather than MBAs.

A correct summary should include therefore:

- America Economia (MBA programmes)
- Economist Intelligence Unit (MBA programmes)
- Financial Times - Executive Education (open market and tailor made courses)
- Financial Times – Executive MBA programmes
- Financial Times – European Masters in Management programmes

Some other rankings refer to specific countries, or groups of countries, such as:

- Wirtschaftswoche (Germany – MBA programmes)
- Espansione (Italy – Business Schools in general)
- Management (France – Business Schools in general)
- Les Echos (France – MBA programmes in Europe)

A new ranking of Latin American Business Schools is expected from Latin Trade magazine, this year.

4. Risks and opportunities related to rankings

Many people are critical of rankings. Wharton and Harvard expressed in the past their intention to withdraw from rankings; others react in different ways against them but, at the end, continue to participate.

The most frequent criticisms are:

- Plethora of rankings
- Misleading customers
- Questionable Methodologies
- Privacy problems
- Self reported data unverified
- Harmful effect of “single number” evaluation
- Arbitrary weights
- Possible conflict of interest with advertising
- Risk of “pro-ranking ” engineering of small Schools
- Little significant difference within a cluster of Schools
- Cost of providing data
- Non-influence of accreditations

One of the most important side effects of rankings is that Schools tend to concentrate on short term goals in order to improve rankings. In practice they tend to:

- Decrease class size
- Accept only high GMAT scores with consequent loss of high potential students
- Value only high-salary jobs (it is not important what you learn, the network you create, or what you accomplish, but what you earn)
- Transfer of resources to ranked programmes (especially MBA)
- Use “quick fix, look good” methods
- Adopt more frills, less substance
- Spent a great deal of money in promotion.

There are also some advantages, however, with rankings which tend to be underestimated because of a sort of widespread “rankings phobia”. First of all the fact that Business Schools’ activities are extensively reported, with a consequent visibility of our industry. Many articles by knowledgeable people are published and many follow-up articles in other magazines and newspapers come about as a consequence of the publication of media rankings.

The fact that there is something positive in rankings is also demonstrated by the fact that Business Schools do advertise in the rankings issues. If rankings were completely negative there would be a very easy way to stop them: stop advertising!

5. Some of the difficulties in measurements

Through reading articles and talking to people, a general criticism towards rankings methodology clearly emerges. Rankings are certainly not perfect and almost certainly they cannot be made perfect, unless our industry is ready to pay a very high price to achieve such a result. This is probably not the case, luckily enough, because the ROI could be too low.

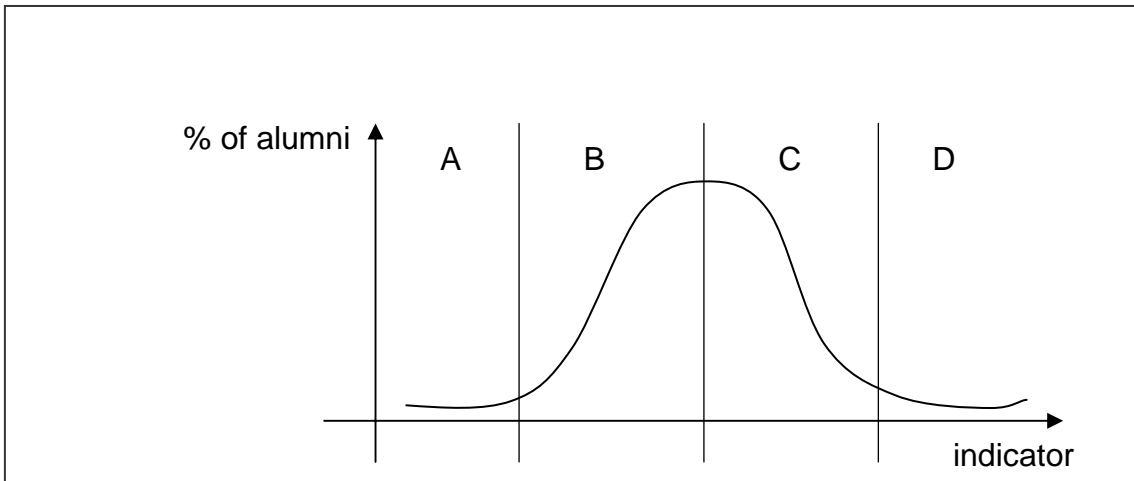
Why is it so difficult to make a substantial improvement in the real quality of rankings?

First of all because there is a gap of understanding between the writer and the reader. The writers (the magazines) state the limits of the ranking they make, indicating the methodology used (although not always completely and correctly enough) and the limits of the survey. The readers (prospects, candidates, alumni, deans, professors) tend to overestimate the value of the ranking, extending its value to the whole School and to all the programmes of the School itself.

If this is the case, and most often it is, there is no recipe to improve the real “perceived” quality of rankings.

There are, then, other objective limitations in the measurement possibilities which derive from purely statistical problems. The most important one derives from the fact that all rankings involve interviews with people: alumni, recruiters, deans or company representatives. Nobody, at least apparently, seems to worry about the fact that, to be useful, a sample must be statistically significant. In all statistical phenomena the correctness of the sample is fundamental. The distribution of the variable to be measured generally follows a Gauss curve and depending on who answers, the results change completely. In this case ranking changes could simply represent statistical noise. It would be like trying to get a projection of the election results from exit polls by referring to a single city.

Fig.1- Gauss distribution curve



It is also very difficult to correctly quantify salaries. It is not generally stated with sufficient clarity what the exact meaning of salary is: net, gross, gross plus contributions and taxes paid by the employer on behalf of the employee, gross including all the above plus fringe benefits and delayed payments, like, for example, the staff severance fund. Considering the fiscal differences in various countries, the influence of a clear definition of salary on rankings is huge.

Fig. 2 – Taxes on the average production worker as a percentage of labour cost (Source OECD 2003)

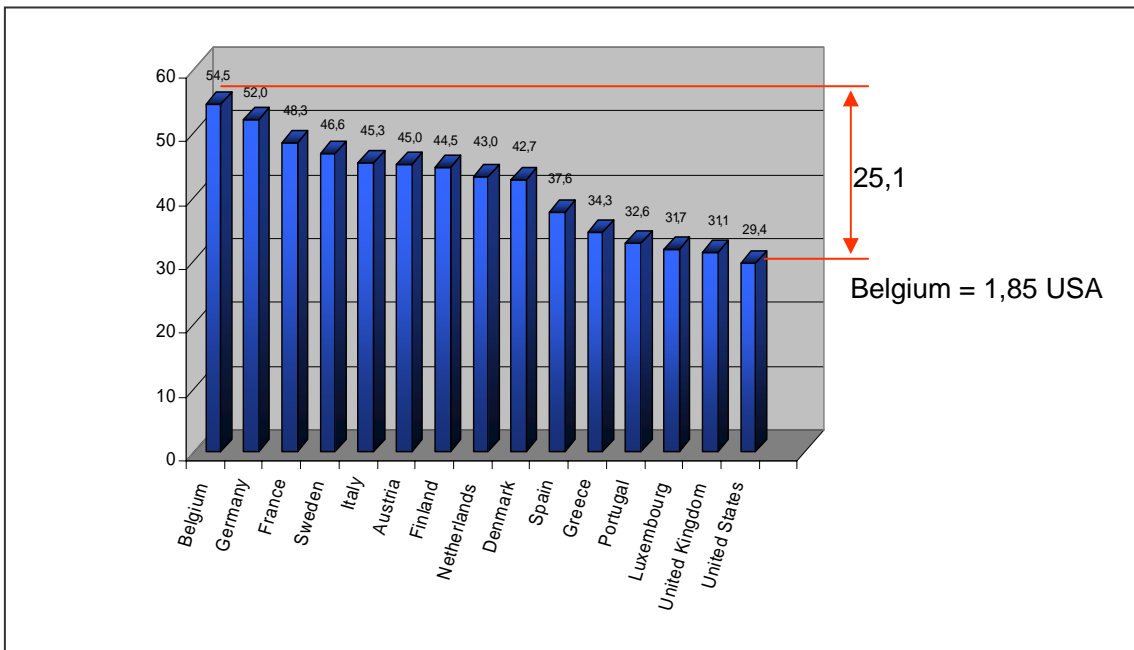


Fig. 3 - Effect of taxes on salaries

	Italy	USA	
Cost to employer	100	100	
Taxes on average production worker	45,3 %	29,5 %	Difference = 65%
Gross salary (estimate)	70	90	Difference = 28,6%
Net income	55	70,5	
Social security and health care	included	15,8 (*)	
Disposable income	55	54,7	

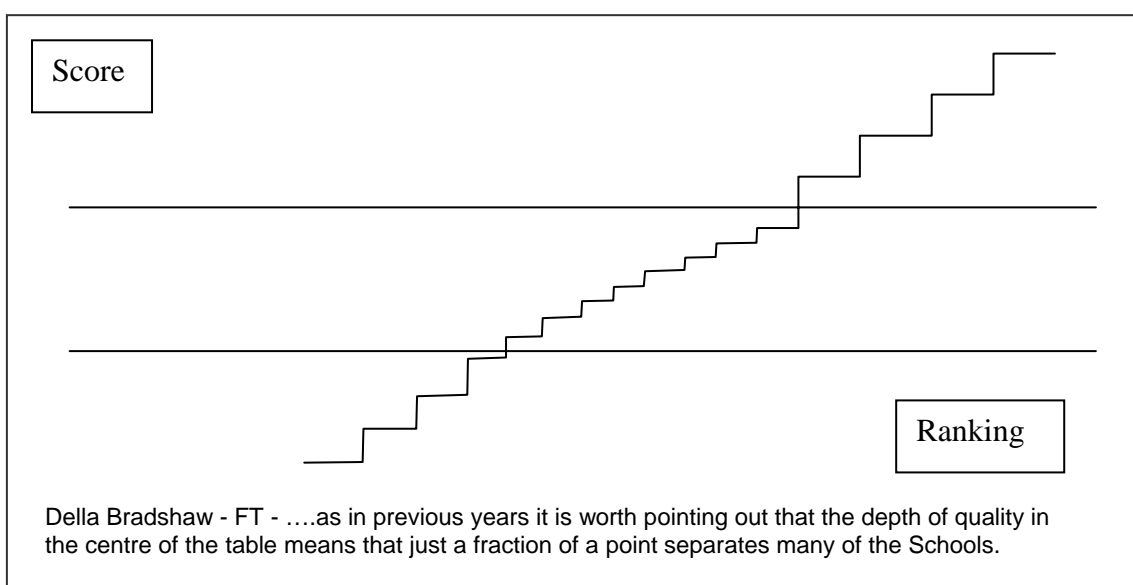
(*) assuming that the difference in tax rate is equal to these costs

Source OECD 2003 – Average Production Worker

There is also the problem of the purchasing power of the currency in each country, but this problem is, in principle, solved by the use of the PPP (purchasing power parity), although it is not necessarily applied in the same way in all rankings.

A third problem that cannot be solved with rankings is the fact that generally the differences between the various Schools are very small.

Fig. 4 – Tightness of rankings

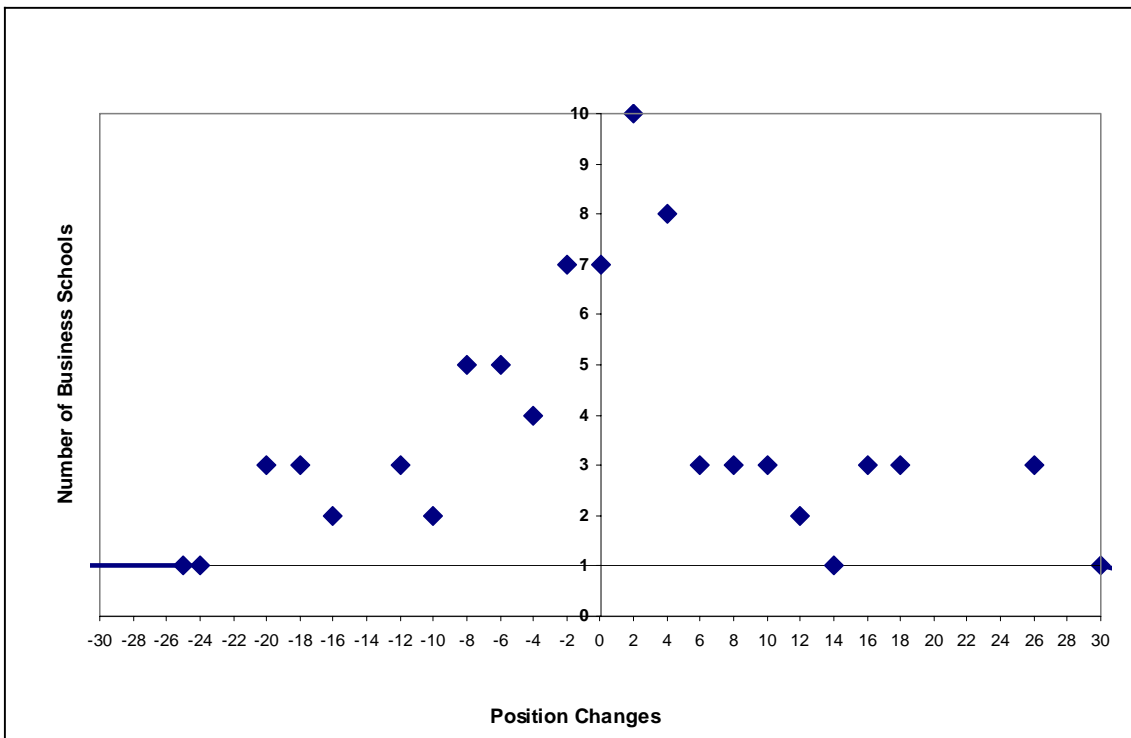


The combined effect of the above problems is that the position of Schools changes quite considerably year after year, in a sort of apparently random fluctuation. It is, in fact, not credible that, in one year, Schools change to such an extent in their respective quality levels to improve or lose on average 13 positions. Although surprising, this is what happens in the group of Schools occupying positions above the 25th in the FT MBA ranking. The situation in the first tier is different: the stability is much higher with an average difference of only 4 positions. Fig. 6 shows the distribution of the changes between years 2003 and 2005.

Fig. 5 – Average change in positions from year 2003 to year 2005 for Schools ranked in the FT MBA programmes

Tier	Average change (absolute values)	Max. change (+ = worse position - = better position)	Schools not classified in 2005
First 1-25	4 positions	+15 positions	0
Second 26-50	12 positions	+40 positions	2
Third 51-75	11 positions	-25 positions	2
Fourth 76-100	17 positions	-68 positions	8

Fig. 6 - Distribution of position changes in FT MBA rankings 2003 vs 2005 (excluding changes above 30 positions)



6. Recommendations and conclusions

It is not easy to make recommendations in terms of rankings. As Andrew J. Policano writes in the article previously mentioned:

“The media rankings are a market reality. Rankings, in some form, are here to stay. Business Schools, however, can take steps to exert influence over many aspects of the rankings, including the standards they measure, the data they use, and even the way they compute the results”.

In the recently printed booklet “The Business School Rankings Dilemma”, a report from a Task Force of AACSB International Committee on Issues in Management Education, four recommendations are given:

- Communicate to engage and influence
- Expand AACSB’s role in defining and collecting MBA data
- Strengthen the external value of accreditation
- Conduct research on rankings and quality.

GMAC (Graduate Management Admission Council) and MBACSC (MBA Career Services Council) are proposing that the media adopt common standards for the collection of data, with external audits.

The future development of rankings is certainly somehow related to the future trends in Education. Many changes are occurring in the way we educate our young people. The Bologna Declaration in Europe, for example, has been signed by 45 countries and is going to greatly influence the undergraduate and post-graduate systems, with inevitable influence also on MBA programmes in the long run. The Bologna Declaration aims at:

- establishing a system of easily recognisable and comparable degrees
- creating a two-cycle system of university studies leading to recognised qualifications with relevance to the labour market at the end of each stage
- developing a European-wide credit system, with credits earned in studies or non-traditional learning paths, to promote student mobility
- promoting student and teaching/support staff mobility
- co-operation between quality assurance bodies to develop comparable systems, criteria and methodologies
- creating networks of European learning.

There are also the technological changes that will profoundly influence teaching through various forms of blended learning, pure e-learning, etc. This will also influence the geographical origin of candidates and their mobility. Local needs might become important again after the great effect of the standardization due to globalization.

In this changing environment, the rankings are here to stay.

The most important single action to recommend is probably to give the correct importance to rankings, without overestimating their effect and knowing their limits. Accurate information in this respect is a must, not only towards the external market but also, and even more importantly, within the business Schools community. The Schools should pass on the message of the AACSB task force and others to their students and stakeholders. It is the responsibility of all of us through our stakeholder communications to clarify the limitations and misunderstanding of the rankings to uninformed persons.

In principle it would be much better, from a methodological point of view, to refer to ratings, instead of rankings. Ratings are, unfortunately, much less fashionable to magazines and newspapers, and also to readers.

A proposal that could be considered is to combine rankings with ratings. Is this the future? Let's see.